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Seventeenth session
New Delhi, 23–29 October 2002
Item 2 (a) of the provisional agenda

PROVISIONAL AGENDA AND ANNOTATIONS

Note by the Executive Secretary*

I. INTRODUCTION

1. Arrangements have been made for the seventeenth session of the Subsidiary Body for Implementation (SBI) to be held at the Vigyan Bhawan conference centre, New Delhi, India, from 23 to 29 October 2002.

II. PROVISIONAL AGENDA

2. The provisional agenda for the seventeenth session of the SBI, proposed after consultation with the Chair, is as follows:

1. Opening of the session.
2. Organizational matters:
   - (a) Adoption of the agenda;
   - (b) Organization of the work of the session;
   - (c) Election of officers other than the Chair.
3. National communications from Parties included in Annex I to the Convention:
   - (a) Consideration of the reviews of national communications from Parties included in Annex I to the Convention;
   - (b) Status report on the review of third national communications.
4. National communications from Parties not included in Annex I to the Convention:
   - (a) Consideration of the fourth compilation and synthesis of initial national communications;

* The submission of this document was delayed because necessary information could not be obtained in time.

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(b) Revision of the guidelines for the preparation of national communications from Parties not included in Annex I to the Convention;

(c) Work of the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention;

(d) Provision of financial and technical support.

5. Financial mechanism:

(a) Report of the Global Environment Facility;

(b) Funding under the Convention;

(c) Review of the financial mechanism;

(d) Additional guidance to an operating entity of the financial mechanism.

6. Capacity-building.

7. Implementation of Article 4, paragraphs 8 and 9, of the Convention:

(a) Progress on the implementation of activities under decision 5/CP.7;

(b) Matters relating to the least developed countries.

8. Request from a group of countries of Central Asia and the Caucasus, Albania and the Republic of Moldova regarding their status under the Convention.

9. Arrangements for intergovernmental meetings:

(a) Arrangements for the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

(b) Date and venue of the ninth session of the Conference of the Parties;

(c) Effective participation in the Convention process.

10. Administrative and financial matters:

(a) Audited financial statements for the biennium 2000–2001;

(b) Interim financial performance for the biennium 2002–2003;

(c) Possible options for responding to late payment of contributions;

(d) Implementation of the Headquarters Agreement.

11. Other matters:

(a) Proposal by Croatia on land use, land-use change and forestry;

(b) Any other matters.

12. Report on the session.

III. ANNOTATIONS TO THE PROVISIONAL AGENDA

1. Opening of the session

3. The seventeenth session of the SBI is scheduled to be opened by the Chair on 23 October 2002.

2. Organizational matters

(a) Adoption of the agenda

4. The provisional agenda for the seventeenth session of the SBI contained in document FCCC/SBI/2002/7 will be presented for adoption.

(b) Organization of the work of the session

5. Parties are invited to refer to the proposed schedule of work contained in annex I to the annotations to the provisional agenda of the Conference of the Parties (see FCCC/CP/2002/1/Add.1) and to consult the Daily Programme, published during the session, for a more detailed and up to date schedule of work of the SBI.

(c) Election of officers other than the Chair

6. **Background:** Pursuant to rule 27 of the draft rules of procedure being applied, the SBI is expected to elect its Vice-Chair and Rapporteur. The Chair will undertake consultations with the coordinators of the regional groups. Early agreement on the nominations by the regional groups will enable the SBI to continue its substantive work in an efficient manner. The current officers of the SBI will remain in office until their successors are elected.

7. **Action:** The SBI will be invited to elect its Vice-Chair and Rapporteur.

3. National communications from Parties included in Annex I to the Convention

(a) Consideration of the reviews of national communications from Parties included in Annex I to the Convention

8. **Background:** The SBI at its sixteenth session considered suggestions relating to the further improvement of the review process and agreed to continue this consideration at its seventeenth session (see FCCC/SBI/2002/6). To facilitate the consideration, the secretariat has prepared a brief summary of the views expressed by Parties at the sixteenth session of the SBI and indicated which issues could be considered in more detail (see FCCC/SBI/2002/INF.6). The compilation of the national inventory data for the period 1990–2000, including information on trends in emissions, are contained in document FCCC/SB/2002/INF.2.

9. **Action:** The SBI may wish to conclude its discussion on the suggestions contained in document FCCC/SBI/2002/3, taking into account the views of Parties summarized in FCCC/SBI/2002/INF.6, with a view to recommending a draft decision to the Conference of the Parties at its eighth session (COP 8) for its consideration and adoption. The SBI may also wish to consider and recommend a decision on the date of submission of fourth national communications from Parties included in Annex I to the Convention (Annex I Parties) to the COP for its consideration and adoption. The SBI may also wish to take into consideration information contained in document FCCC/SB/2002/INF.2.

(b) Status report on the review of third national communications

10. **Background:** The COP, by its decision 33/CP.7, requested the secretariat to apply the procedures for the review of national communications, including in-depth reviews, as defined in decisions 2/CP.1 and 6/CP.3, to the third national communications submitted by Annex I Parties in accordance with decision 11/CP.4.[1] The status report on the review of third national communications is contained in document FCCC/SBI/2002/INF. 7.

11. **Action:** The SBI may wish to take note of the status report and provide any guidance to the secretariat.

4. National communications from Parties not included in Annex I to the Convention

(a) Consideration of the fourth compilation and synthesis of initial national communications

12. **Background:** The COP, by its decision 30/CP.7, requested the secretariat to prepare the fourth compilation and synthesis of initial national communications from Parties not included in Annex I to the Convention (non-Annex I Parties), based on the national communications submitted between 1 June 2001 and 1 June 2002, and an executive summary covering all the initial national communications submitted as at 1 June 2002. The reports will be available to the subsidiary bodies at their seventeenth sessions, and to the COP at its eighth session. The fourth compilation and synthesis report, based on 31 new initial national communications, is contained in document FCCC/SBI/2002/16 and the executive summary, based on 83 initial national communications is contained in document FCCC/SBI/2002/8.

13. **Action:** The SBI may wish to consider the documents mentioned above and to recommend draft conclusions and/or a draft decision to COP 8 for consideration and adoption.

(b) Revision of the guidelines for the preparation of national communications from Parties not included in Annex I to the Convention

14. **Background:** The COP, by its decision 32/CP.7, decided to continue the process of reviewing the guidelines for the preparation of national communications from non-Annex I Parties in accordance with decision 8/CP.5, with a view to improving these guidelines at the eighth session of the COP (FCCC/CP/1999/6/Add.1). The improvement of the guidelines is to take into account, inter alia, information contained in the third compilation and synthesis report (FCCC/SBI/2001/14) and information contained in national communications submitted as at 31 December 2001, as well as the recommendations of the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention (CGE).

15. The draft guidelines for the preparation of national communications from non-Annex I Parties were prepared by the secretariat in accordance with decision 32/CP.7, and were presented as a Chairman's text for the consideration by SBI 16 (FCCC/SBI/2002/INF.2, annex I). The SBI took note of the views expressed by Parties on the need to further consider the SBI Chairman's text and recalled decision 32/CP.7 requesting the submission of views from Parties on the proposed guidelines, with a view to improving them at COP 8. Decision 32/CP.7 also requested the secretariat to prepare an information document containing these views of Parties for consideration by the subsidiary bodies at

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[1] For the full texts of decisions adopted by the Conference of the Parties at its first, third, fourth and seventh sessions, see documents FCCC/CP/1995/7/Add.1, FCCC/CP/1997/7/Add.1, FCCC/CP/1998/16/Add.1 and FCCC/CP/2001/13/Add.1-4, respectively.

their seventeenth sessions. The proposed improved guidelines are contained in document FCCC/SBI/2002/INF.8 and information on the views from Parties is contained in document FCCC/SBI/2002/INF.9.

16. **Action:** The SBI may wish to consider the proposed improved guidelines and information on the views from Parties contained in the above-mentioned documents with a view to recommending to COP 8 a draft decision regarding the adoption of improved guidelines.

(c) Work of the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention

17. **Background:** The COP, by its decision 31/CP.7, decided that in addition to the mandate of the CGE contained in the annex to decision 8/CP.5, the CGE shall (i) identify and assess technical problems and constraints that have affected the preparation of initial national communications by non-Annex I Parties that have yet to complete them, and make recommendations for consideration by the subsidiary bodies; and (ii) provide input to the draft improved guidelines for the preparation of national communications of non-Annex I Parties. Decision 31/CP.7 also mandated the CGE to conduct two workshops in 2002 with the objective of sharing experience in order to ensure adequate coverage of the matters described above. The first workshop took place in Bonn from 10 to 12 April 2002, and the second took place in Nassau, Bahamas, from 8 to 10 August 2002. The report of the first workshop, submitted to and considered by SBI 16, is contained in document FCCC/SBI/2002/INF.3. The report of the second workshop is contained in document FCCC/SBI/2002/INF.10.

18. In addition to the two workshops, the CGE held its fifth meeting from 30 to 31 May 2002 in Bonn. An oral report on this meeting was presented by its Chair to SBI 16. The SBI took note of that report and invited Parties to submit views on a possible new mandate and terms of reference of the CGE, and requested the secretariat to compile these submissions into a miscellaneous document, for consideration by SBI 17, with a view to recommending a draft decision for COP 8; the compilation of the submissions from Parties is contained in document FCCC/SBI/2002/MISC.6. An oral report on the work completed by the CGE during the period 2000–2002 will be presented by its Chair to SBI 17.

19. The CGE also prepared its report, contained in document FCCC/SBI/2002/15, for presentation to SBI 17, taking into account the conclusions and recommendations of the two workshops, its fifth meeting, and the recommendations contained in its report to SBI 15 (FCCC/SBI/2001/15).

20. **Action:** The SBI may wish to take note of the information and recommendations contained in the above-mentioned documents, and the oral report on the sixth meeting of the CGE, with a view to recommending a draft decision on the new mandate and terms of reference of the CGE.

(d) Provision of financial and technical support

21. **Background:** The secretariat is mandated by Article 8.2(c) of the Convention to facilitate the provision of financial and technical support to developing countries, in particular for the preparation of national communications. The report on the activities of the secretariat in response to this mandate is contained in document FCCC/SBI/2002/INF.11. The report also includes information on the status of preparation of national communications from non-Annex I Parties, based on responses from these Parties to a questionnaire distributed by the secretariat and on information provided by the GEF and its implementing agencies. A summary of the status of preparation of national communications from non-Annex I Parties is posted on the secretariat web site

(http://www.unfccc.int/program/nai/ncweb0209.pdf). This information is regularly updated and is made available to Parties in hard copy on request.

22. Document FCCC/SBI/2002/INF.12 contains information received from the GEF secretariat on the financial support provided to non-Annex I Parties for the preparation of their national communications, including the date of first disbursement, and the funds made available to each Party in accordance with decision 10/CP.2, paragraph 1 (b).

23. In response to decision 12/CP.4, the secretariat has made available on the UNFCCC web site a list of projects proposed by non-Annex I Parties in accordance with Article 12.4 of the Convention (http://www.unfccc.int/program/nai/ncweb0208.pdf). This list is regularly updated, based on new information provided by Parties in their national communications. It is available to Parties in hard copy on request.

24. **Action:** The SBI may wish to take note of the above-mentioned documents and to provide further guidance to the secretariat on activities to facilitate assistance to non-Annex I Parties in the preparation of their national communications.

5. Financial mechanism

(a) Report of the Global Environment Facility

25. **Background:** The Memorandum of Understanding between the COP and the Council of the Global Environment Facility (GEF), annexed to decision 12/CP.2, provides, inter alia, that the GEF will make available to the COP annual reports which should include specific information on how the GEF has applied the guidance and decisions of the COP in its work relating to the Convention. The report dated 23 August 2002 to COP 8 is contained in document FCCC/CP/2002/4.

26. **Action:** The SBI may wish to consider the report of the GEF and to recommend draft conclusions and/or a draft decision for consideration and adoption by COP 8.

(b) Funding under the Convention

27. **Background:** The COP, by its decision 7/CP.7, established a special climate change fund to finance activities, programmes and measures, relating to climate change, that are complementary to those funded by resources allocated to the climate change focal area of the GEF and by bilateral and multilateral funding. It also decided to invite Parties included in Annex II, and other Parties included in Annex I that are in a position to do so, to contribute to the fund. By the same decision, the COP also established the Least Developed Countries Fund (LDC Fund) to support the work programme for the least developed countries that includes, inter alia, national adaptation programmes of action (NAPAs) in accordance with decision 5/CP.7, Section II, "Implementation of Article 4, paragraph 9, of the Convention" (see also agenda item 7 (b)). These funds shall be operated by an entity entrusted with the operation of the financial mechanism, under the guidance of the COP.

28. The COP also invited that entity to make the necessary arrangements for the purpose of establishing these funds and to report thereon to COP 8 (decision 7/CP.7, para. 7).

29. In addition, the COP decided to provide guidance to the entity referred to above, on the modalities for operating these funds, including expedited access (decision 7/CP.7, para. 8). By means of decision 27/CP.7, the COP provided guidance to the entity in relation to the operation of the LDC Fund. However, the COP is yet to provide guidance in relation to the operation of the special climate change fund.

30. **Action:** The SBI may wish to consider the report of the GEF on the issue of funding under the Convention, and to recommend draft conclusions and/or a draft decision, as appropriate, to COP 8 for consideration and adoption. The SBI may also wish to consider giving guidance to the GEF in relation to the operation of the special climate change fund, taking into consideration discussions on further guidance on the operation of the LDC fund under agenda item 7 (b), and to recommend a draft decision to COP 8 for consideration and adoption.

(c) Review of the financial mechanism

31. **Background:** In accordance with Article 11, paragraph 4, of the Convention, the COP at its first session and by its decision 9/CP.1, decided that the review of the financial mechanism should take place within four years. At its second session, by decision 11/CP.2, the COP requested the SBI at its fifth session to undertake the review and report on the outcome to COP 3. This review process, which was initiated in the fifth session of the SBI, concluded at COP 4, with the adoption of decision 3/CP.4 and its annex.

32. The completion of the first review of the financial mechanism at COP 4 resulted in the GEF being designated as an entity that operates the financial mechanism of the Convention, and in the adoption of the guidelines for the second and subsequent reviews of the financial mechanism, as contained in the annex to decision 3/CP.4. The guidelines outline the objectives, methodology and criteria to be used to assess the effectiveness of the financial mechanism. The second review of the financial mechanism has to be completed before COP 8.

33. The second review process was initiated at SBI 16. At the same session, the SBI invited all Parties, intergovernmental organizations and non-governmental organizations to submit their views on the financial mechanism, taking into consideration the criteria for assessing the financial mechanism contained in the annex to decision 3/CP.4, no later than 8 July 2002. Submissions from Parties and intergovernmental organizations are compiled in document FCCC/SBI/2002/MISC.2. Views from non-governmental organizations are contained in web-only text FCCC/WEB/2002/6.

34. The SBI, at its sixteenth session, also requested the secretariat, to prepare a synthesis report on the financial mechanism for consideration at its seventeenth session, on the basis of submissions received, the Second Overall Performance Study of the GEF, published in January 2002, and other GEF documents, including GEF Council documents relevant for the assessment of the effectiveness of the financial mechanism. The report is contained in document FCCC/SBI/2002/14.

35. **Action:** The SBI may wish to consider the synthesis report and submissions from Parties and intergovernmental and non-governmental organizations, and to recommend a draft decision to COP 8 for consideration and adoption.

(d) Additional guidance to an operating entity of the financial mechanism

36. **Background:** Decision 6/CP.7 describes activities to be funded by the GEF, with reference also to activities identified in paragraph 7 of decision 5/CP.7. It also requested the GEF to provide financial resources to implement the capacity-building framework annexed to decision 2/CP.7. Decisions 4/CP.7 and 5/CP.7 request the GEF to provide financial resources for the implementation of other activities outlined in these decisions. However, the relevant provisions on these additional activities were not included in decision 6/CP.7 and therefore the GEF would need additional guidance to act on them.

37. The SBSTA, at its sixteenth session, invited the SBI to consider, at its seventeenth session, the issue of financial and technical support for the implementation of a work programme on Article 6 of the

Convention, taking into account decision 6/CP.7, paragraph 1 (h) with a view to adopting a decision at COP 8.

38. At the same session, the SBSTA invited the GEF to report on its progress and/or plans to support action plans drawn up at the regional workshops of the Global Climate Observing System (GCOS), including on the provision of financial support, in the context of its report to the COP at its eighth and subsequent sessions.

39. **Action:** The SBI may wish to include in its consideration on additional guidance to the GEF the relevant provisions of decisions 4/CP.7 and 5/CP.7, as well as provision of the financial and technical support for the implementation of the work programme on Article 6 and the support to the action plans of the GCOS, and to recommend a consolidated draft decision to COP 8 for consideration and adoption.

6. Capacity-building

40. **Background:** The COP, by its decisions 2/CP.7 and 3/CP.7, adopted the frameworks for capacity-building in developing countries and in countries with economies in transition. The SBI, at its sixteenth session, took note of the report made by the secretariat on the status of implementation of the above-mentioned decisions and invited Parties to submit, by 20 August 2002, their views on the extent to which the implementation of the national capacity needs self assessments funded by the GEF addresses activities identified under the initial scope of needs and areas for capacity-building listed in the annex to decision 2/CP.7. Views from Parties are compiled in document FCCC/SBI/2002/MISC.7. The secretariat will provide a report on progress made so far to implement the frameworks.

41. **Action:** The SBI may wish to take note of the information provided in the report and consider views from Parties contained in document FCCC/SBI/2002/MISC.7. The SBI may wish to take action to further advance the implementation of the frameworks on capacity-building. The SBI may wish to recommend draft conclusions and/or a draft decision to COP 8 for its consideration and adoption.

7. Implementation of Article 4, paragraphs 8 and 9, of the Convention

(a) Progress on the implementation of activities under decision 5/CP.7

42. **Background:** The COP, by its decision 5/CP.7, identified additional actions needed to advance the implementation of Article 4, paragraphs 8 and 9, of the Convention. By the same decision, the secretariat was requested, inter alia, to organize a workshop on the status of modelling activities to assess the adverse effects of climate change and the impact of response measures already implemented on individual developing country Parties. This workshop took place from 16 to 18 May 2002, and its report is contained in document FCCC/SBI/2002/9. The SBI, at its sixteenth session, invited Parties to submit views on issues relating to the above-mentioned workshop, and to make progress in the implementation of decision 5/CP.7, by 1 August 2002. These views are compiled in document FCCC/SBI 2002/MISC.3.

43. The COP, by its decision 5/CP.7, also requested the secretariat to organize two workshops, before COP 8, on (i) insurance and risk assessment in the context of climate change and extreme weather events, and (ii) insurance-related actions to address the specific needs and concerns of developing country Parties arising from the adverse effects of climate change and from the impact of the implementation of response measures. Dates of these workshops are to be determined, subject to the availability of funds, as indicated in the letter by the Executive Secretary to all Parties, dated 14 August 2002. The SBI, at its sixteenth session, invited Parties to submit, by 1 August 2002, their views on possible additional terms of reference for these two workshops. These views are compiled in document FCCC/SBI 2002/MISC.4.

44. The COP at its seventh session further decided to consider, at its eighth session, the implementation of insurance-related actions to meet the specific needs and concerns of developing country Parties arising from the adverse effects of climate change, as well as those arising from the impact of the implementation of response measures.

45. It is anticipated that the SBI will receive input from the SBSTA, proposing terms of reference for a joint workshop with the United Nations Convention on Biological Diversity and the United Nations Convention to Combat Desertification, and may wish to act on the SBSTA recommendation, taking into account relevant activities undertaken in compliance with decision 5/CP.7.

46. **Action:** The SBI may wish to take note of the above-mentioned report on the workshop on the status of modelling activities and to consider the submissions from Parties on this workshop. It may also wish to consider the submissions from Parties on the two workshops on insurance and propose any further steps.

47. The SBI may wish to review progress made on the activities and recommendations contained in decision 5/CP.7, and, if deemed necessary, to refer this agenda item to the SBSTA for its consideration.

48. The SBI may wish to recommend draft conclusions and/or draft decisions, as appropriate, to COP 8 for consideration and adoption.

(b) Matters relating to the least developed countries

49. **Background:** By its decision 27/CP.7, the COP adopted initial guidance for the operation of the LDC Fund. It decided to consider and adopt further guidance on the operation of the Fund at its eighth session (see also agenda item 5 (b)). By its decision 28/CP.7, the COP also adopted guidelines for the preparation of national adaptation programmes of action (NAPAs) and decided to review, and if necessary revise, these guidelines at its eighth session, taking into account views submitted by Parties (FCCC/SBI/2002/MISC.1 and Add.1) and by the LDC Expert Group (LEG) (FCCC/SBI/2002/MISC.5). The SBI, at its sixteenth session, invited the Chair of the LEG to update the SBI on progress in the implementation of the LEG's programme of work.

50. **Action:** The SBI may wish to develop further guidance on the operation of the LDC Fund. The SBI may also wish to take note of views by Parties and the LEG and to recommend draft conclusions and/or a draft decision on the review and possible revision of the NAPA guidelines to COP 8 for its consideration and adoption. The SBI may also wish to take note of the progress report made by the Chair of the LEG.

8. Request from a group of countries of Central Asia and the Caucasus, Albania and the Republic of Moldova regarding their status under the Convention

51. **Background:** In a letter to the Executive Secretary, dated 27 July 2001, the countries of Central Asia and the Caucasus, and Moldova, sought clarification on two issues: a clear definition of the term "developing countries" or a reference to relevant legal texts containing such a definition, and their status in the context of decisions of the Convention and its Kyoto Protocol, including those prepared at the resumed sixth session of the Conference of the Parties (COP 6 , part two) (see FCCC/CP/2001/12). The SBI, at its sixteenth session, considered this item and requested its Chair to continue his consultations during the intersessional period and report back to it at its seventeenth session.

52. **Action:** The SBI may wish to give further consideration to this matter and to make recommendations thereon to the COP.

9. Arrangements for intergovernmental meetings

(a) Arrangements for the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

53. **Background:** In accordance with Article 13 of the Protocol, the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP 1) shall be convened by the secretariat in conjunction with the first session of the COP that is scheduled after the entry into force of the Protocol. The SBI, at its sixteenth session, took note of the information on arrangements for intergovernmental meetings, contained in document FCCC/SBI/2002/4 and views expressed by Parties on the procedural issues concerning the arrangements for the COP/MOP 1, including the need to ensure that the sequencing of meetings of the COP and COP/MOP promotes efficiency and avoids duplication of work. The SBI agreed to consider this issue further at its seventeenth session. The SBI will also have before it document FCCC/SBI/2002/12.

54. **Action:** The SBI may wish to continue its consideration on preparations for COP/MOP 1, in anticipation of the entry into force of the Kyoto Protocol, in order to develop recommendations to the COP and the COP/MOP. The SBI may wish to provide the secretariat with further guidance.

(b) Date and venue of the ninth session of the Conference of the Parties

55. **Background:** Rule 3 of the draft rules of procedure specifies that "the sessions of the Conference of the Parties shall take place at the seat of the secretariat, unless the Conference of the Parties decides otherwise or other appropriate arrangements are made by the secretariat in consultation with the Parties." Rule 4, paragraph 2, also states that "at each ordinary session, the Conference of the Parties shall decide on the date and duration of the next ordinary session." A decision on the date and venue of COP 9 is therefore required at COP 8. The Conference has already agreed on the dates for the second sessional period in 2003, from 1 to 12 December 2003, which will be the dates for COP 9 (FCCC/CP/2001/13/Add.4, section V).

56. At the time of writing, no offer has been received by the secretariat from a Party wishing to host COP 9. Parties wishing to host COP 9 are invited to submit their offers as soon as possible.

57. **Action:** The SBI, after considering any offers from Parties to host COP 9, may wish to recommend, for adoption by COP 8, a decision on the venue for COP 9, and also to request the secretariat to start planning for COP 9 with the designated host country and to enter into the necessary agreement.

(c) Effective participation in the Convention process

58. **Background:** The SBI, at its sixteenth session, added this item to the agenda of its seventeenth session and invited Parties to submit views on this matter. Views from Parties are compiled in document FCCC/SBI/2002/MISC.8. A note prepared by the secretariat to facilitate discussion of this item is contained in document FCCC/SBI/2002/13.

59. **Action:** The SBI may wish to consider views from Parties on this item and the document prepared by the secretariat, and to take any action deemed necessary.

10. Administrative and financial matters

(a) Audited financial statements for the biennium 2000–2001

60. **Background:** The financial procedures of the Convention (FCCC/CP/1995/7/Add.1, decision 15/CP.1) require that a final audited statement of accounts for the full financial period shall be provided to the COP as soon as possible after the accounts for the financial period are closed. The audited financial statements for the biennium 2000–2001 as well as the report of the United Nations Board of Auditors on the financial statements, are contained in document FCCC/SBI/2002/10 and Add.1.

61. **Action:** The SBI may wish to take note of these reports and include relevant decisions in the omnibus draft decision to be adopted at COP 8.

(b) Interim financial performance for the biennium 2002–2003

62. **Background:** The COP, by its decision 38/CP.7, adopted the programme budget for the biennium 2002–2003, and requested the Executive Secretary to report to the COP at its eighth session on income and budget performance and to propose any adjustment that might be needed in the budget. Income and expenditure as well as programme delivery during the first half of 2002 are reported in document FCCC/SBI/2002/11. This document includes an update on personnel matters and administrative arrangements.

63. Information on the latest status (as at 10 October 2002) of contributions by Parties to the core budget, the Trust Fund for Participation in the UNFCCC Process and the Trust Fund for Supplementary Activities of the UNFCCC is contained in document FCCC/SBI/2002/INF.13.

64. **Action:** The SBI may wish to take note of these reports and include relevant decisions in the omnibus draft decision to be adopted at COP 8. It may also wish to express its appreciation to the Parties that have made timely contributions to the core budget, and especially to those that have made voluntary contributions to the other trust funds. The SBI may also wish to urge Parties that have not made their contributions to do so in a timely manner.

(c) Possible options for responding to late payment of contributions

65. **Background:** Upon considering the report by the Executive Secretary on options for responding to late payment of contributions (see FCCC/SBI/2000/2) and the outcome of the informal consultations, the SBI, at its sixteenth session, requested its Chair to continue his consultations on this sub-item, reformulate the document and present it to its next session.

66. **Action:** The SBI may wish to continue discussion on this sub-item and to recommend a draft decision to COP 8 for its consideration and adoption.

(d) Implementation of the Headquarters Agreement

67. **Background:** At its previous sessions, the SBI considered the implementation of the Headquarters Agreement between the United Nations, the UNFCCC and the Government of Germany. Upon taking note of the report, specifically with respect to progress made by the Government of Germany in providing office space to the UNFCCC secretariat and other United Nations entities in Bonn, developing conference facilities and improving conditions for staff members and their families, the SBI requested the Government of Germany and the Executive Secretary to report on progress made in this area at its future sessions.

68. **Action:** The representative of the German Government and the Executive Secretary will make oral presentations. The SBI may wish to consider the information provided and to take any action it deems necessary.

11. Other matters

(a) Proposal by Croatia on land use, land-use change and forestry

69. **Background:** The Government of Croatia submitted a request to consider its forest management activities under Article 3, paragraph 4, of the Kyoto Protocol (see FCCC/CP/2001/MISC.6/Add.2). The SBI, at its sixteenth session, agreed to resume consideration of this item at its seventeenth session and requested its Chair to continue his consultations and report on their results to the SBI.

70. **Action:** The SBI may wish to take note of the results of the Chair's consultations and take any action it deems necessary.

(b) Any other matters

71. Any other matters arising from the present sessions of the subsidiary bodies or referred to the SBI by the COP would be taken up under this item.

12. Report on the session

72. The SBI may wish to adopt conclusions and authorize the Rapporteur to complete the report after the session under the guidance of the Chair and with the assistance of the secretariat. Subject to the availability of sufficient time for their translation, conclusions will be made available in the six official languages of the United Nations.

Annex

DOCUMENTS BEFORE THE SUBSIDARY BODY FOR IMPLEMENTATION AT ITS SEVENTEENTH SESSION

Documents prepared for the session

FCCC/SBI/2002/6	Report of the Subsidiary Body for Implementation on its sixteenth session, held at Bonn from 10 to 14 June 2002
FCCC/SBI/2002/7	Provisional agenda and annotations. Note by the Executive Secretary
FCCC/SBI/2002/8	National communications from Parties not included in Annex I to the Convention. Executive summary of compilation and synthesis of initial national communications from Parties not included in Annex I to the Convention
FCCC/SBI/2002/9	Implementation of Article 4, paragraphs 8 and 9, of the Convention. Progress on the implementation of activities under decision 5/CP.7. Report of the workshop on the status of modelling activities to assess the adverse effects of climate change and the impact of implemented response measures
FCCC/SBI/2002/10 and Add.1	Administrative and financial matters. Audited financial statements for the biennium 2000–2001
FCCC/SBI/2002/11	Administrative and financial matters. Interim financial performance for the biennium 2002–2003 - income and budget performance as at 30 June 2002
FCCC/SBI/2002/12	Arrangements for intergovernmental meetings. Preparations for the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
FCCC/SBI/2002/13	Arrangements for intergovernmental meetings. Effective participation in the Convention process
FCCC/SBI/2002/14	Financial mechanism. Review of the financial mechanism. Synthesis report
FCCC/SBI/2002/15	National communications from Parties not included in Annex I to the Convention. Report of the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention to the subsidiary bodies
FCCC/SBI/2002/16	National communications from Parties not included in Annex I to the Convention. Fourth compilation and synthesis of initial national communications from Parties not included in Annex I to the Convention

FCCC/SBI/2002/INF.6	National communications from Parties included in Annex I to the Convention. Consideration of the reviews of national communications from Annex I Parties
FCCC/SBI/2002/INF.7	National communications from Parties included in Annex I to the Convention. Progress report on the in-depth reviews of the third national communications
FCCC/SBI/2002/INF.8	National communications from Parties not included in Annex I to the Convention. Revision of the guidelines for the preparation of national communications from Parties not included in Annex I to the Convention. Proposed improved guidelines for national communications from Parties not included in Annex I to the Convention
FCCC/SBI/2002/INF.9	National communications from Parties not included in Annex I to the Convention. Compilation of views by Parties on the proposed guidelines for the preparation of national communications from Parties not included in Annex I to the Convention
FCCC/SBI/2002/INF.10	National communications from Parties not included in Annex I to the Convention. Report of the workshop of the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention
FCCC/SBI/2002/INF.11	National communications from Parties not included in Annex I to the Convention. Activities of the secretariat to facilitate the provision of financial and technical support for the preparation of national communications from Parties not included in Annex I to the Convention and information on those communications
FCCC/SBI/2002/INF.12	National communications from Parties not included in Annex I to the Convention. Information on activities taken by the Global Environment Facility
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FCCC/SBI/2002/INF.14	Implementation of Article 4, paragraphs 8 and 9, of the Convention. Matters relating to the least developed countries. Input from the Least Developed Countries Expert Group on the improvement of the Guidelines for the preparation of National Adaptation Programmes of Action
FCCC/SBI/2002/MISC.1 and Add.1	Implementation of Article 4, paragraphs 8 and 9, of the Convention. Matters relating to the least developed countries. Views from Parties on the improvement of the Guidelines for the preparation of National Adaptation Programmes of Action

FCCC/SBI/2002/MISC.2	Financial mechanism. Review of the financial mechanism. Compilation of submissions on the review of the financial mechanism
FCCC/SBI/2002/MISC.3	Implementation of Article 4, paragraphs 8 and 9, of the Convention. Progress on the implementation of activities under decision 5/CP.7. Views on issues relating to the workshop on modelling activities and to progress in the implementation of decision 5/CP.7. Submissions from Parties
FCCC/SBI/2002/MISC.4	Implementation of Article 4, paragraphs 8 and 9, of the Convention. Progress on the implementation of activities under decision 5/CP.7. Additional terms of reference for the workshops referred to in 5/CP.7. Submissions from Parties
FCCC/SBI/2002/MISC.6	National communications from Parties not included in Annex I to the Convention. Submissions from Parties on the review of the mandate and the terms of reference of the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention
FCCC/SBI/2002/MISC.7	Capacity-building. Views on the extent to which implementation of national capacity needs self assessments addresses activities identified under the initial scope of needs and areas for capacity building listed in the annex to decision 2/CP.7
FCCC/SBI/2002/MISC.8	Arrangements for intergovernmental meetings. Effective participation in the Convention process. Views from Parties
FCCC/SB/2002/INF.2	Methodological issues. Guidelines on reporting and review of greenhouse gas inventories from Parties included in Annex I to the Convention (implementing decisions 3/CP.5 and 6/CP.5). Report on national greenhouse gas inventory data from Annex I Parties for 1990 to 2000

Other documents before the session

FCCC/CP/1995/7/Add.1	Report of the Conference of the Parties on its first session, held at Berlin from 28 March to 7 April 1995. Addendum. Part two: Action taken by the Conference of the Parties at its first session
FCCC/SBI/2000/2	Administrative and financial matters. Late payment of contributions: Response options. Note by the Executive Secretary
FCCC/CP/2001/12	Other matters. Letter from the Central Asia, Caucasus and Moldova countries on their status under the Convention.
FCCC/CP/2001/13 and Add.1-4	Report of the Conference of the Parties on its seventh session, held at Marrakesh from 29 October to 10 November 2001

FCCC/CP/2001/MISC.6/ Add.2	Implementation of the Buenos Aires Plan of Action: Adoption of the decisions giving effect to the Bonn Agreements. Draft decisions forwarded for elaboration, completion and adoption. Land use, land-use change and forestry. Views from a Party. Addendum
FCCC/CP/2002/1/Add.1	Annotations to the provisional agenda of the eighth session of the Conference of the Parties
FCCC/CP/2002/4	Report of the Global Environment Facility to the Conference
FCCC/SBI/2001/14	National communications from Parties not included in Annex I to the Convention. Third compilation and synthesis of initial national communications from Parties not included in Annex I to the Convention. Executive Summary
FCCC/SBI/2001/15	National communications from parties not included in Annex I to the Convention. Report of the Consultative Group of Experts to the subsidiary bodies
FCCC/SBI/2002/3	National communications from Parties included in Annex I to the Convention. Consideration of the reviews of national communications from Parties included in Annex I to the Convention
FCCC/SBI/2002/4	Arrangements for intergovernmental meetings. Note by the Executive Secretary
FCCC/SBI/2002/INF.2	National communications from Parties not included in Annex I to the Convention. Report of the workshop on the revision of the guidelines for the preparation of national communications from Parties not included in annex I to the Convention
FCCC/SBI/2002/INF.3	National communications from Parties not included in Annex I to the Convention. Work of the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention. Report of the Workshop of the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention

NB. Document FCCC/SBI/2002/MISC.5 does not exist because the document originally bearing this symbol now has the symbol FCCC/SBI/2002/INF.14.

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NATIONAL COMMUNICATIONS FROM PARTIES NOT INCLUDED IN ANNEX I TO THE CONVENTION

CONSIDERATION OF THE FOURTH COMPILATION AND SYNTHESIS OF INITIAL NATIONAL COMMUNICATIONS

Executive summary of information contained in initial national communications from Parties not included in Annex I to the Convention

Note by the secretariat*

Summary

This executive summary presents the main issues arising from the four reports of the compilation and synthesis of 83 initial national communications from Parties not included in Annex I to the Convention (non-Annex I Parties). The information is organized according to the UNFCCC guidelines for the preparation of national communications from non-Annex I Parties. Many new initial communications have been submitted to the secretariat since the last report, but the issues of relevance for non-Annex I Parties have remained the same for all reporting Parties. Climate change education, training and public awareness, and the needs for financial resources and technical support, have been recognized as having considerable importance in the preparation of national communications and the implementation of the Convention over the long term.

At the seventeenth session of the Subsidiary Body for Implementation (SBI), Parties may wish to take note of this executive summary with a view to recommending a draft decision for further compilation and synthesis of initial national communications from non-Annex I Parties, for adoption by the Conference of the Parties at its eighth session.

* This document is submitted after the due date because of a delay caused by technical problems in communications with an external editor.

I. INTRODUCTION

1. The fourth compilation and synthesis of initial communications from Parties not included in Annex I to the Convention (non-Annex I Parties) is based on 31 communications received by the UNFCCC secretariat between 2 June 2001 and 1 June 2002. The executive summary, as presented here, is based on the third compilation and synthesis of 52 national communications and the fourth compilation and synthesis of 31 national communications submitted to the secretariat as at 1 June 2002.[1] These 83 communications are from: Algeria, Antigua and Barbuda, Argentina, Armenia, Azerbaijan, Bahamas, Barbados, Bhutan, Bolivia, Botswana, Burkina Faso, Burundi, Cape Verde, Chad, Chile, Colombia, Congo, Cook Islands, Costa Rica, Côte d'Ivoire, Cuba, Democratic Republic of the Congo, Dominica, Ecuador, Egypt, El Salvador, Ethiopia, the Federated States of Micronesia, Georgia, Ghana, Grenada, Guatemala, Guyana, Haiti, Honduras, Indonesia, Israel, Jamaica, Jordan, Kazakhstan, Kiribati, Lao People's Democratic Republic, Lebanon, Lesotho, Malaysia, Maldives, Mali, Marshall Islands, Mauritius, Mexico, Mongolia, Morocco, Nauru, Nicaragua, Niger, Niue, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Republic of Korea, Republic of Moldova, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Senegal, Seychelles, Singapore, Sri Lanka, Swaziland, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkmenistan, Tuvalu, Uruguay, Uzbekistan, Vanuatu, Yemen and Zimbabwe.

II. NATIONAL CIRCUMSTANCES

2. Parties provided information, with various levels of detail, on their national circumstances within the national communications, either as a separate chapter or as part of other chapters. Parties also provided information on the size and location of their territories, climate and other physical and geographical characteristics, development status and socio-economic conditions. The population of reporting Parties ranged from less than 3,000 to more than 209 million. In terms of development status, 14 reporting Parties are rated as having low human development and 44 as having medium human development, and nine are in the high human development group, according to the human development report of 2001 by the United Nations Development Programme. Sixteen Parties were not classified in the human development context. Twenty-one reporting Parties are also classified in the current United Nations Conference on Trade and Development list as least developed countries.

3. Parties described the importance of different economic sectors with respect to their development priorities and many Parties stressed the particular importance they attach to agriculture and water resources. Some Parties stressed the important contribution of the service sector in their economies. Many Parties, including small island developing States, stressed the primary importance of economic activities associated with coastal zones and fisheries. Most Parties provided detailed information on the energy sector, which indicated very wide disparities in Parties' circumstances and in the trends relating to current and future energy supply and demand.

III. SUSTAINABLE DEVELOPMENT AND THE INTEGRATION OF CLIMATE CHANGE CONCERNS INTO MEDIUM- AND LONG-TERM PLANNING

4. Parties provided information on sustainable development plans and the integration of climate change concerns into medium- and long-term planning. In general, information provided on this topic was limited and was not detailed enough to identify concrete activities relating to their plans. Only a few Parties dedicated a separate section of their communication to sustainable development concerns, and some other reporting Parties included a separate section on their national plans.

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[1] See decision 30/CP.7, paragraph 2 (b) (FCCC/CP/2001/13/Add.4).

5. Many Parties provided information on sustainable development and planning activities when describing national development and environmental plans, institutional arrangements and legislation on the environment and/or development. Several Parties emphasized the need to ensure that an integrated approach is followed in dealing with environmental issues. Many Parties described activities that national development and environmental plans should incorporate in order to achieve sustainable development. Only a few Parties reported on activities relating to the implementation of Agenda 21 of the United Nations Conference on Environment and Development. Many Parties also underlined the importance of effective participation of stakeholders, including non-governmental organizations, the private sector, and academic and community-based organizations, in the development of climate change policies.

6. Most reporting Parties indicated that they intend to include climate change planning in future social, economic and environmental considerations. Several Parties indicated that they either had already developed or were in the process of formulating comprehensive national climate change action plans and/or policy frameworks to meet their obligations under the Convention. Most of the Parties stressed the need for improved capacity to develop institutional frameworks dedicated specifically to climate change activities.

7. Many Parties provided information on their efforts to coordinate climate change activities and others highlighted the importance of the UNFCCC focal points in the coordination of these activities. The need to strengthen coordination at the local, national and/or regional levels was emphasized by several Parties. Many Parties expressed the need to maintain the activities already initiated during the preparation of the initial national communication. Many Parties provided information on existing and planned environmental legislation and strategies.

IV. INVENTORIES OF ANTHROPOGENIC EMISSIONS AND REMOVALS OF GREENHOUSE GASES

8. Parties provided national inventories of anthropogenic emissions by sources and removals by sinks of greenhouse gases (GHGs). The level of information provided varied among Parties and very often small island developing States did not include emissions in some source categories because they did not have the necessary data. However, the reporting by other Parties was generally comparable to that of Annex I Parties.

9. Most Parties followed the advice of the Subsidiary Body on Scientific and Technological Advice (FCCC/SBSTA/1996/20, para. 30) and used the Revised 1996 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Inventories. Most of them adopted the reference approach, except for a very few Parties which used the possibility offered by the IPCC Guidelines to develop methodologies and/or emission factors for some selected subcategories of sectors, such as agriculture, land-use change and forestry (LUCF) and waste, to better suit their national circumstances. The majority of Parties reported on difficulties relating to activity data, but some of them faced problems with emission factors and others reported difficulties in applying the IPCC Guidelines. About half of the reporting Parties indicated that they estimated carbon dioxide (CO_2) emissions from fuel combustion using both the IPCC reference approach and the sectoral approach. In most cases reported differences between the two approaches were of the same order of magnitude for both Annex I and non-Annex I Parties.

10. All Parties compiled data on emissions for CO_2, methane (CH_4) and nitrous oxide (N_2O), with the exception of Maldives, which did not include N_2O emissions. Many Parties (57) also provided estimates of aggregate GHG emissions in terms of CO_2 equivalent. CO_2 generally appeared to be the most important GHG emitted. Most Parties provided data on their largest GHG emission source and sink

categories, such as CO_2 emissions from fuel combustion and industrial processes, CO_2 removals from LUCF, CH_4 emissions from agriculture and waste, and N_2O emissions from agricultural soils and fuel combustion. Most reporting Parties provided emissions data for all or some ozone precursors (carbon monoxide (CO), nitrogen oxides (NO_x) and non-methane volatile organic compounds (NMVOC)). Few Parties provided emissions data on hydrofluorocarbons (HFCs), perflurocarbons (PFCs) or sulphur hexafluoride (SF_6), but more than half of the reporting Parties provided data on sulphur dioxide (SO_2) emissions. Nearly two thirds of the reporting Parties provided information on emissions from bunker fuels. Some Parties also provided information on the level of uncertainty of their estimates of GHGs.

11. For a majority of Parties, the energy sector was the largest source of GHG emissions, followed by the agricultural sector, but for more than one third of the Parties, the latter was the largest emitter. In two thirds of the cases, the emissions from these source categories were more than offset by removals by sinks within the LUCF sector as a whole.

12. The source of activity data for estimating emissions was referenced by most Parties even though this type of information was not requested by the UNFCCC guidelines. Sources of data varied widely among the Parties and frequently included national statistics. The two primary factors reported to have affected the quality of national GHG inventories were lack of activity data and unsuitability of default emission factors. Unavailability, inaccessibility and poor quality of activity data were frequently reported, particularly in the energy, agriculture and LUCF sectors.

13. Most Parties used the IPCC summary table, or a similar format, to report the inventory results. One third of the reporting Parties provided all or some of the relevant worksheets of the IPCC Greenhouse Gas Inventory Workbook, which facilitated ease of replication and transparency of data.

14. Most Parties described existing institutional arrangements for the preparation of national inventories and identified possible areas for their improvement. In a few cases, where national GHG inventories were prepared and reported for other year(s) in addition to the originally submitted inventory for the base year, the completeness, transparency and quality of the data were improved. This would suggest that there is some scope for encouraging the preparation of inventories on a continuous basis. Many Parties expressed the need to improve and update their inventories, and would require additional financial and technical assistance. Almost all Parties received external support in preparing their GHG inventories.

V. MEASURES CONTRIBUTING TO ADDRESSING CLIMATE CHANGE

15. Almost all Parties included in their national communication information on programmes containing measures that could contribute to addressing climate change by limiting the increase of GHG emissions and/or enhancing removals by sinks. The majority of Parties identified the relevant sectors in terms of their importance in present and/or future GHG emissions and analysed measures or projects that could contribute to GHG emissions abatement. Some Parties described sectoral policies and measures that would affect future emissions. The sectors covered in the reports included energy, agriculture, land-use change and forestry, and waste.

16. In the energy sector, Parties reported measures in terms of supply and demand sides. Measures on the supply side included energy conservation and efficiency, cogeneration, modernization of thermoelectric utilities, fuel switching, electricity imports, reduction of losses in transmission and distribution, promotion of rural electrification and the use of renewable energy sources. On the demand side, Parties outlined measures in the industrial, residential, commercial and/or transport sectors. These measures concerned mainly the enhancement of energy efficiency in lighting, cooling, cooking and air conditioning; the implementation of demand-side management programmes; the promotion of fuel

switching and use of renewable energy; the development of road transport master plans; the introduction of electric or compressed natural gas vehicles; discouragement of the use of private vehicles; improvement of the public transport system; legal measures to control vehicle emissions; and limitations on the importation of used and/or reconditioned vehicles.

17. In the agriculture sector, measures outlined related to improvement of farm management practices; reduction of areas under cultivation; rotation, diversification and intensification of crops; plant nutrient management; and substitution of mineral fertilizers. Other measures included adoption of improved irrigation systems, improvement in practices of cattle management, alteration of livestock diet, and improvement of the collection, utilization and storage of organic waste.

18. In the land-use change and forestry sector, measures proposed were, inter alia, preservation of existing forest, afforestation and reforestation programmes; prevention and control of fires and diseases; introduction of tax incentives; development of forestry livestock and agroforestry systems; review of forest and land management policies; and sustainable management of protected areas and fragile ecosystems.

19. In the waste sector, measures related mainly to integrated waste management, waste minimization at the different stages of the production cycle, recovery of methane from landfills and legal instruments.

20. Parties used expert judgement and/or models to assess GHG abatement options. Parties using expert judgement based their assessments on GHG inventories, economic growth patterns and national or sectoral development plans. Parties that used models projected the level of future emissions using business-as-usual and one or two mitigation scenarios. The main variables used to develop scenarios were population growth, urban population, energy demand, gross domestic product, and oil consumption. Emission projections were mainly estimated for the years 2005, 2010, 2020 and 2030.

21. Several Parties reported on the criteria used to assess and select potential abatement options. Criteria used included the possibilities for their integration into national and sectoral development plans and programmes; possible impacts on the economy, enhancing economic growth and development; availability of financial resources and technical assistance; potential environmental impacts; potential emission reductions; and feasibility and cost-effectiveness of implementation.

22. The status of implementation of the abatement options differed among Parties. Many Parties indicated that studies were at an early stage. The development of more detailed recommendations would require consultation with and input from stakeholders in the public and private sectors, as well as the development of appropriate policy and legal measures. Some Parties mentioned specific measures already implemented, relating mainly to policy instruments and forestry laws.

23. Many Parties included in their national communications a number of projects aimed at reducing GHG emissions and enhancing removals by sinks. Information provided on these projects sometimes included associated implementation cost as well as the mitigation potential in accordance with Article 12, paragraph 4, of the Convention. Some Parties provided project concepts, which included expected outcomes, including environmental and social benefits.

VI. RESEARCH AND SYSTEMATIC OBSERVATION

24. Most Parties provided information on research and systematic observation either in a dedicated chapter or in a section of their national communication. Some Parties provided information on this issue sporadically in a number of sections of the national communication.

25. Most of the research identified or planned by Parties is on climate change vulnerability and adaptation assessments. The main sectors considered were agriculture, water resources, coastal zones, forestry and energy. Other research focused on improving understanding of the El Niño Southern Oscillation (ENSO) phenomenon, reducing and managing uncertainty relating to climate change and development of appropriate climate change scenarios, and their socio-economic implications. About half of the Parties reported on existing or future institutional arrangements at the national, regional and international levels to facilitate research on climate change.

26. Ongoing or planned research programmes were aimed at further understanding the impacts of climate change, extreme events and climate variability on biodiversity, land use, forests, agriculture, water resources, coastal zones, fisheries, ecosystems, human health and human settlements. Some of the adaptation research programmes included evaluation of a range of coastal adaptation options, plant and animal breeding programmes, integrated pest management, improved soil and crop management, evaluation and costing of adaptation measures in water supply and use, and development of new adaptation technologies and new resistant plant/crop species.

27. When reporting on systematic observation, most Parties included information on their observation records and the types and number of observation networks and stations that are in use. In most cases these systems consist of a network of observation and monitoring stations which collect meteorological, oceanographic and hydrological data. Some Parties mentioned their participation in various global observing systems, such as the global ocean observing system (GOOS) and the global climate observing system (GCOS), and others acknowledged their cooperation and collaboration with international organizations.

28. Most Parties reported on the status of systematic observation and planned activities. The most common ongoing observations focused on climate, hydrology and sea level. Some Parties also described cooperation at the regional and international levels, constraints, and the needs for financial and technical assistance.

29. Research programmes on mitigation were mainly related to analysing options for energy recovery, developing and promoting renewable energy sources, evaluating the applicability of proposed mitigation measures, and the evaluation and costing of mitigation measures. Many Parties also stressed the development of activity data and/or appropriate emission factors for improving the quality of national GHG inventories.

30. The constraints relating to research and systematic observation were broadly identified by many reporting Parties as lack of financial resources and technical support, and lack of human capacities and capabilities. Many Parties provided information on planned research programmes that will be undertaken depending on the availability of financial and technical resources. Needs and priorities for systematic observation included training and capacity-building in the sciences of meteorology and climatology, database development and management, and the upgrading, rehabilitation and strengthening of existing observation systems, stations and networks. Many Parties also indicated that large gaps exist in observations and therefore require new monitoring stations, improvement of technical capacities and capabilities, upgrading and maintenance of equipment, and coordination and strengthening of the institutions responsible for education, training and research.

VII. CLIMATE CHANGE IMPACTS, ADAPTATION AND RESPONSE STRATEGIES

31. Almost all Parties provided information on their current and future vulnerabilities as well as on adaptation measures and response strategies, including the level of implementation. This included information relating to the use of methods and approaches, limitations of methods and tools, problems

and difficulties encountered, sectors studied, methods for analysing and evaluating adaptation needs and priorities, and institutional arrangements and networking. Some Parties also provided information on other technical areas of work relating to vulnerability and adaptation that they would envisage undertaking if they had sufficient financial resources and technical support.

32. Most Parties reported having used the IPCC Technical Guidelines for Assessing Climate Change Impacts and Adaptations, including the IPCC emission scenarios (IS92 series). Some Parties specifically reported on the use of the United Nations Environment Programme Handbook, expert judgement or their own methods and approaches. Most Parties treated the different sectors in isolation, whereas others performed integrated assessments to account for interactions between two or more related sectors.

33. Most Parties used various global circulation models (GCMs) to generate climate change scenarios, and about half of the Parties used the integrated model system for the assessment of greenhouse gas-induced climate change and the scenario generator (MAGICC-SCENGEN) for generating regional climate change scenarios based on a single or various GCMs. Many Parties also used incremental or analogue scenarios for various time horizons up to the year 2100.

34. The most common methodology adopted for sea-level rise scenarios for different time horizons up to the year 2100 was that of the IPCC. Some Parties also carried out sensitivity analyses by adopting high- and low-emission scenarios in calculating projected sea-level change.

35. Some Parties reported on problems or difficulties encountered in applying the IPCC Technical Guidelines for Assessing Climate Change Impacts and Adaptations, and on the limitations of the methods and tools used. These were often related to the low resolution of GCMs, the lack of comprehensive data sets required for proper validation of model results, and lack of time, human and financial resources.

Vulnerability

36. A wide range of models as well as expert judgement were used in the analysis of impacts in various sectors. The models were of the process-based or integrated type for sectors such as agriculture (including livestock), water resources, forests, grasslands, coastal zones and human health. Other sectors and areas covered included human settlements, infrastructure, fisheries, biodiversity, tourism and energy, as well as ecosystems such as woodland and coral reefs. Most of the emphasis was placed on specific sectors depending on their socio-economic importance.

37. The majority of Parties assessed the vulnerability of the agriculture sector and indicated that it will be adversely affected by climate change, extreme events such as droughts and hurricanes, a loss of the soil fertility, erosion, leaching of mineral fertilizers, increased incidence of pests and diseases, heat stress on animals and the indirect effects of sea-level rise. The vulnerability assessments also focused on agricultural crops under a range of climate change scenarios. Lower crop and animal productivity were generally expected, except for middle- and high-latitude countries, where it was expected that an increase in crop production will result from the longer growing season, more favourable temperatures and increased CO_2 fertilization. Other effects identified included a lower quality of fodder.

38. Many Parties assessed the vulnerability of coastal zones, some Parties conducting the assessment under different sea-level rise scenarios. The main impacts identified were erosion and setback of coastal areas, an increase of salinity in the estuaries and wetlands with death of mangroves, salt water intrusion into aquifers, beach degradation and losses, a decrease in the productivity of coastal fisheries, enhanced coral bleaching and devastating effects on species of corals. Almost all coastal countries, including the small island developing States, reported that climate change and consequent sea-level rise will have a devastating effect on coastal communities and infrastructure. Some Parties estimated that a sea-level rise

of 0.5 to 1.0 m would result in the inundation of coastlines and the destruction of infrastructure such as coastal roads and houses. Most Parties also expressed their concern about the negative impacts of sea-level rise on low-lying agricultural lands and ecosystems, wetlands and estuaries.

39. Most Parties reported on expected impacts of climate change on water resources. Many Parties reported a potential increase in run-off due to more intense rainfall and higher risk of flash flooding, whereas others stressed the decrease in water resources. The latter could result from lower rainfall, increased evaporation, reduction in aquifer recharge and pollution. Reduced water resources will have a negative impact on hydroelectric power generation, food production, especially production of crops under irrigation, and transport. The negative impacts of salt water intrusion on water quality were indicated by many reporting Parties with many Parties also stating that they already face problems of water shortage.

40. Many Parties also provided information, with various levels of detail, on the assessment of climate change impacts on human health. The general view was that the limited observations and studies available make it difficult to understand clearly the relationships between climate characteristics and human health. Most of the Parties reported that the incidence of water- and vector-borne diseases, and those relating to water contamination, is likely to increase. A wide range of diseases have been identified, the most common being malaria, dengue fever and diarrhoea. Many Parties mentioned the additional stress that high temperatures will have on the population, making them more prone to sicknesses. Some Parties indicated a likely increase in the incidence of endemic diseases due to higher population densities and poorer sanitary conditions.

41. Most Parties provided information on the assessment of climate change impacts on terrestrial ecosystems. Most of the Parties indicated a decrease in land cover vegetation as a result of an increase in aridity and the lower productivity of forests and rangelands. Some Parties indicated the change and displacement of ecosystems as well as a general shift in the composition of species. Other Parties stressed that deforestation is likely to lead to a loss of biodiversity. Some Parties reported on the risk of increased frequency of forest fires in the dry seasons and the consequent increase in soil erosion.

42. Many Parties reported on the expected adverse effects on fisheries resulting from higher temperatures and changes in salinity. Impacts are expected to stem from the destruction of nursery areas and breeding grounds, such as mangroves and coral reefs, and reduced availability of nutrients. In most cases the anticipated impacts remain uncertain as it is still difficult to forecast the rate of change and the ability of species to adapt.

43. Many Parties provided information on the vulnerability of other sectors/resources such as human settlements, tourism and biodiversity. Some Parties indicated the potential negative effects resulting from frequent storms and hurricanes, particularly on infrastructure, energy systems and tourism.

Adaptation

44. Almost all reporting Parties provided information on adaptation options, measures and/or strategies relating to climate change impacts for a wide range of sectors. Information varied widely from one Party to another. Usually no clear indication was given of the methods used in assessing and analysing the adaptation strategies and measures. Some Parties, however, indicated the use of expert judgement based on GCM results or predictions by impact models. Other Parties stressed the need for more detailed in-depth vulnerability studies in order to formulate adaptation measures and identify needs for increased financial and technical support.

45. Many Parties reported on adaptation options and/or strategies in agriculture, including the development of drought-tolerant crops, the improvement of early warning systems, management and crop husbandry practices (alternative cropping schedules, plant densities or crop species), the introduction of irrigation, changing to more efficient systems, enhancement of erosion control, and training and provision of assistance to farmers. Some Parties reported on ongoing breeding programmes that are in line with the adaptation process.

46. Many Parties reported on adaptation options for water resources and indicated various water policy reforms to be introduced, such as those focusing on water conservation, inter-basin water transfer, desalination, flood management, and construction of dams and reservoirs for increased water storage. Some Parties also envisaged recycling of waste water and reducing demand, for instance, by introducing more efficient irrigation systems.

47. About half of the reporting Parties provided information on adaptation measures which could be implemented in the coastal zones through integrated coastal zone management. Other Parties reported on adaptation strategies and measures in the areas of human health, forests, tourism, fisheries, human settlements, biodiversity and wildlife. Measures reported included improving the health care system, enhancing forest management, protecting tourism infrastructure, strengthening legislation and promoting conservation of biodiversity.

48. The needs and priorities for strengthening the institutional arrangements for vulnerability and adaptation work were not clearly spelled out in the information provided by the reporting Parties. However, some Parties mentioned the need for better arrangements to be put in place for data collection and analysis, and others indicated needs for further capacity-building and human resource development.

49. Other Parties identified better coordination and cooperation between relevant institutions and agencies as key factors in facilitating the integration of climate change concerns into policy-making processes, and others suggested possible review and, where necessary, amendment of existing legislation to develop the appropriate institutional framework for dealing with impacts of the climate change. A few Parties indicated the need to improve the abilities of national climate change coordinators and national institutions to manage and coordinate climate change programmes.

50. A few Parties reported on the level of engagement of relevant stakeholders and policy makers in the vulnerability and adaptation assessment process, and on the participation of and collaboration between national experts and institutions in undertaking the vulnerability and adaptation assessment work.

51. Many Parties provided information on their needs and priorities for education, training and research in vulnerability and adaptation assessments, with most of them stressing the importance of training and research. Training aimed primarily at strengthening human and institutional capacities to undertake in-depth work on vulnerability and adaptation assessment in various sectors was deemed essential.

52. Some Parties envisaged tackling technical areas relating to vulnerability and adaptation assessment work, particularly in making better predictions of changes in temperature and precipitation and in reducing the level of uncertainty when undertaking assessments. A few Parties reported on the importance of promoting regional and international cooperation, networking and sharing of information, the pooling of resources, and the transfer of appropriate technologies for vulnerability and adaptation assessment.

VIII. EDUCATION, TRAINING AND PUBLIC AWARENESS

53. Almost all the reporting Parties provided information on ongoing and/or future programmes on education, training and public awareness, with various levels of detail. A separate chapter was dedicated to these three issues by half of the reporting Parties, and the others either incorporated them as a section of a chapter or covered the issues very broadly within the national communications. In almost all cases, the presentation of the information was such that it was difficult to distinguish clearly between ongoing activities and programmes and those that were to be implemented in the future. Parties generally expressed the need to improve national programmes on education, training and public awareness relating to climate change for practically all sections of the population, including policy makers and the public at large.

54. Most Parties provided information on existing and/or future initiatives to incorporate environmental and climate change issues at all levels of the formal education system. Some Parties have already integrated teaching of climate change issues, mainly within the tertiary education curriculum, and others expressed their intention to do this in the future. One Party indicated its commitment to grant scholarships for studying the science of climate change.

55. Most Parties stressed the importance of training within the context of the preparation of national communications. Several Parties mentioned the lack of enough trained experts in the field of climate change to meet their obligations under the Convention. Some Parties stressed the importance of integrating climate change issues into formal and/or non-formal education programmes and to raise public awareness. Other Parties stressed the inability of existing institutions to undertake research and training to meet the reporting requirements of the UNFCCC or to develop and implement appropriate public awareness programmes and activities.

56. Many Parties recognized the importance of public awareness programmes and the need to build on and improve existing activities. However, the information provided was often not clear enough to make it possible to assess the focus and scope of such programmes. Information for public awareness was reportedly disseminated using a wide range of materials and means. In addition to the general public being targeted in most cases, some Parties also reported on special awareness programmes for specific groups of the population.

57. Many Parties indicated a need for assistance to enhance research and systematic observation in order to cope better with climate change. Areas emphasized were capacity-building, monitoring and data collection, proper instrumentation and institutional strengthening.

IX. FINANCIAL AND TECHNOLOGICAL NEEDS AND CONSTRAINTS

58. All reporting Parties provided some information on their financial and technological needs and constraints they faced in the preparation of their national communications and the implementation of the Convention. Several Parties provided the information in a separate chapter and/or section, but most Parties raised these issues in chapters of their communication that were dedicated to other areas. Most Parties reported on constraints relating to data availability and quality, available technologies, tools and methodologies, and human, financial and institutional capacities.

59. Most Parties acknowledged having received financial and technical assistance from the Global Environment Facility and its implementing agencies and other bilateral or multilateral programmes for the preparation of the initial national communication. Most Parties stressed the importance of the continuation of such assistance. In accordance with Article 12, paragraph 4, of the Convention and paragraph 17 of the UNFCCC guidelines, many Parties included information on projects to abate GHG emissions proposed for funding, and some Parties included a list of adaptation projects for funding.

60. Almost all Parties reported difficulties they faced in preparing their national GHG inventories and indicated that these stemmed from a lack of technical and institutional capacity as well as good quality data. Many Parties reported that the emission factors were not appropriate or applicable to their situation, and some Parties stressed the need to adapt the methodologies to their own circumstances. They further expressed the need for assistance to ensure continuous collection and maintenance of activity data, to improve the accuracy and reliability of these data, to enhance local technical capacity and expertise, and to develop national emission factors, mainly in the energy, agriculture, LUCF and waste sectors.

61. Parties referred to gaps and difficulties relating either to the assessment or to the possible implementation of abatement options. Among the problems relating to the assessment of abatement options, Parties mentioned inadequate institutional arrangements, lack of information, lack of capacity for mitigation analysis and project development, and lack of financial resources. Constraints on the implementation of abatement measures included inadequate institutional arrangements, lack of financial resources, lack of tax incentives and/or policies to promote the introduction, production and use of more efficient appliances, aversion to the risk of adopting new technologies, higher cost of abatement technologies, and a lack of public and political support for the implementation of abatement measures.

62. With regard to problems and constraints encountered in the area of vulnerability assessments, many Parties indicated that the studies were not sufficiently extensive to cover all vulnerable sectors because of lack of capacity, technology/methodology, good-quality data and adequate financial resources. The needs identified related to upgrading skills and research, improving data collection and analysis pertaining to vulnerability and adaptation measures, and capacity-building to assess and respond to the impacts of climate change. Many Parties emphasized the need to improve on the projections of temperature and precipitation changes as well as on sea-level rise so as to reduce uncertainties about their impacts. The main sectors of concern were water resources, agriculture, coastal zones, human settlements, population, health and ecosystems. Few Parties stated their needs explicitly.

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UNFCCC Framework Convention on Climate Change

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IMPLEMENTATION OF ARTICLE 4, PARAGRAPHS 8 AND 9, OF THE CONVENTION

PROGRESS ON THE IMPLEMENTATION OF ACTIVITIES UNDER DECISION 5/CP.7

Report of the workshop on the status of modelling activities to assess the adverse effects of climate change and the impact of implemented response measures

Note by the secretariat*

Summary

This document provides a summary of the workshop, held in Bonn, Germany, 16–18 May 2002, on the status of modelling activities to assess the adverse effects of climate change and the impact of response measures already implemented on individual developing country Parties, including on how to enhance the participation of developing country experts in such efforts. The terms of reference of this workshop also included assessing approaches to minimize the adverse effects of response measures on developing country Parties.

The document outlines the proceedings of the workshop, and summarizes the discussions on general issues relating to modelling, as well as specific issues related to adverse effects and response measures, and to the participation of developing country experts in modelling efforts. It also includes a list of issues identified by participants as possible areas for further consideration.

* This document went through an extensive review process before its finalization. As a result, its submission was delayed.

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Annex

Agenda for the workshop on the status of modelling activities to assess the adverse effects of climate change and the impact of implemented response measures Wissenschaftszentrum, Bonn, Germany, 16–18 May 2002 11

I. MANDATE

1. The Conference of the Parties (COP) at its seventh session, by its decision 5/CP.7, requested the secretariat to organize a workshop, before the eighth session of the COP, on the status of modelling activities to assess the adverse effects of climate change and the impact of response measures already implemented on individual developing country Parties, including on how to enhance the participation of developing country experts in such efforts, and to report the results of this workshop to the COP at its eighth session. The terms of reference of this workshop were also to include assessing approaches to minimize the adverse effects of response measures on developing country Parties.

2. This workshop was held from 16 to 18 May 2002 in Bonn, Germany, under the guidance of Ms. Daniela Stoytcheva, Vice-Chair of the Subsidiary Body for Implementation (SBI), acting on behalf of Mr. Raúl Estrada Oyuela, Chair of the SBI, and Mr. Halldor Thorgeirsson, Chair of the Subsidiary Body for Scientific and Technological Advice (SBSTA).

II. SCOPE OF THE NOTE

3. This document contains a short description of the proceedings of the workshop (section III), a summary of the discussions (section IV), and issues identified for further consideration (section V). The agenda of the workshop is included in the annex to this document.

III. WORKSHOP PROCEEDINGS

4. The workshop was attended by 36 experts in the field of modelling, representing Parties international organizations and research institutions. Some of these experts were involved in the preparation of the Intergovernmental Panel on Climate Change (IPCC) Third Assessment Report (TAR), and in the development of models at academic institutions.

5. In accordance with the mandate, the workshop focused on the following main issues:

(a) Evolution and current status of modelling activities to assess the adverse effects of climate change, identification of gaps and limitations in current approaches to modelling, and recommendations for improving the effectiveness of modelling activities in the context of assessing adverse effects of climate change;

(b) Evolution and current status of modelling activities to assess the impact of implemented response measures, identification of gaps and limitations in current approaches to modelling, assessments of approaches to minimize the adverse effects of response measures on developing country Parties, and recommendations for improving the effectiveness of modelling activities in the context of assessing the impact of response measures;

(c) Enhancing the participation of developing country experts in modelling activities to assess the adverse effects of climate change and the impact of implemented response measures.

6. The workshop consisted of an introductory session, working sessions devoted to each of the objectives, followed by a panel discussion, and a concluding session. There were discussions and exchange of information on the experience of national experts from developing and developed countries, and organizations, in applying current methodologies, the usefulness of data, and uncertainties, among others. The experts discussed the limitations of the current models, identified some possible areas for improvement, and made suggestions regarding the evolution of such modelling activities. Participants in the panel discussion included representatives from Brazil, Burkina Faso, Portugal, Saudi Arabia, United

States of America, the Food and Agriculture Organization of the United Nations (FAO) and the International Energy Agency (IEA).

IV. WORKSHOP SUMMARY

A. General

7. Modelling activities for assessing the adverse effects of climate change and the impact of the implementation of response measures have evolved considerably in the past decade; in particular, spatial and temporal resolution have greatly improved. During the same period modelling capacity has become more widely disseminated and more data have become available for some models.

8. The ability to adjust modelling activities to changing circumstances has also improved, although it was recognized that more improvement is necessary before the output of such models can be integrated in the decision-making process.

9. Although modelling capacity is generally concentrated in industrialized countries, efforts are being made to develop models and modelling frameworks that can be adapted and used in developing countries. This is particularly true for modelling the adverse effects of climate change. Expertise for modelling the impacts of response measures is concentrated at research institutions and in a number of international organizations.

10. Developing country participants stressed that their countries are still at an early phase of model development. Some participants attributed this lag to, for example, the lack of information on existing models, language constraints, the need to adapt such models to national circumstances, and the high costs of acquiring the models, conducting relevant training and developing extensive databases for their application. Some participants stressed that the main challenge facing developing countries is that most models and their coverage are optimized for use in developed countries and therefore do not respond to the circumstances and needs of developing countries. Very few models are able to evaluate the socio-economic impacts of climate change or perform an integrated analysis of impacts of response measures.

11. Specific shortcomings of models were also discussed in detail. The main ones highlighted were gaps in data sets, limited regional downscaling, limited model validation, deficiencies in the development of assumptions and in applicability, verification, and separation of the impact of different policies, and the high degree of uncertainty in attempting to simulate the future. Other limitations relate to the reliability of models, the availability of accurate data, comparability of models and the availability of sector-specific models, particularly as applicable to developing countries.

12. The modelling process for assessing the adverse effects of climate change has similarities and differences with that for assessing the impact of implementation of response measures. Both address global models with national disaggregation, have top-down and bottom-up perspectives, have difficulties with non-price issues and with inter-comparability, and suffer from a lack of adequate data and uncertainties associated with results, and their simulations rest on long-term climate scenarios. But modelling the adverse effects of climate change addresses aggregate changes applied to specific locales, whereas modelling the impact of response measures examines the impact of individual policies in different locales.

13. Modelling results do not always meet the needs of stakeholders, and participants stressed the need for stakeholder involvement in the modelling process, both for framing the questions that the models should endeavour to answer at the outset of the exercise, and for ensuring that the outcome of the models are in a form that is usable in the context of the existing decision-making framework. Involving stakeholders will also help increase confidence in and acceptance of the model output.

14. An essential function of modelling is to support informed decision-making. Because of the gaps and limitations in the modelling process, the usability of the models or their results and the reliability of the output are less than what is currently needed by decision makers and other stakeholders. As these shortcomings are not likely to be overcome soon, there is a need to improve decision-making under uncertainty, in order to render the outcome of the models usable, despite their limitations.

15. An approach suggested for developing countries was to address modelling for climate change within the wider context of sustainable development. Such an integrated outlook would enable a comparison of the costs of climate change adaptation and mitigation with those of other priority objectives, including poverty alleviation, and would be useful for developing countries in which climate change issues (and related modelling efforts) may not be a high priority.

16. In this context, many participants emphasized that one useful approach to modelling at the national level would be to adopt a methodology that would engage all key stakeholders and promote national consensus building, and would link development activities with climate change vulnerabilities, adaptation and impacts on economic, social and environmental goals. An "action impact matrix" method presented at the workshop, complemented with sectoral and local models which focus on impacts, adaptation and mitigation options, would provide such an approach.

17. It was noted that, in developing countries, the data required as input to models for simulating the adverse effects of climate change and of implemented response measures are not consistently available or collected, are inaccessible or are of poor quality. At the same time, it was also stressed that the process of data collection and processing for using these models should be cost-effective, hence the need for coordinated data-collection efforts at the national, regional and international levels.

18. In order to help developing country experts to choose the models most appropriate to their needs for conducting country-specific analyses, information provided with the models should include descriptions of the assumptions made and of the analytical approaches used for the models; this would permit a better understanding of the strengths and weaknesses of a model for a given purpose.

19. Consideration should be given to forging links among existing national, regional and international institutions, particularly those involved in gathering data for climate impacts models, such as the World Health Organization (WHO), the World Meteorological Organization (WMO), the Intergovernmental Panel on Climate Change (IPCC), the United Nations Environment Programme (UNEP), the European Commission (EC), and various non-governmental organizations (NGOs). For data required to run economic models, collaboration among organizations such as the United Nations Statistical Office (UNSO) and other UN agencies, the World Bank, the Organisation for Economic Co-operation and Development (OECD), the Latin American Energy Organization (OLADE), the Organization of Petroleum Exporting Countries (OPEC) and the IEA, was suggested.

20. National communications from Annex I and non-Annex I Parties were mentioned as useful channels for disseminating experience on the appropriateness of modelling activities to assess the adverse effects of climate change, the impact of the implementation of response measures, and approaches to minimize the adverse effects of response measures on developing country Parties. National communications were also seen as an important tool for communicating to the modelling community what the needs of Parties are in furthering the modelling process in a way that is consistent with national priorities. It was considered useful for Parties to use the national communications process to identify modelling capacity-building needs and priorities and assessment efforts already completed or under way.

B. Adverse effects of climate change

21. Global climate modelling techniques have undergone steady development in the past decade. Research efforts have been directed towards developing models and approaches aimed at improving information about climate change on the regional scale. But Global Circulation Models (GCMs), as tools for drawing critical conclusions regarding global climate change, are limited in their ability to simulate important atmospheric phenomena and to accurately represent complex natural interconnections.

22. There is much uncertainty surrounding climate scenarios, particularly at the national and local scales and for climate variables other than temperature, precipitation and sea level. Consequently, the modelling process to assess the adverse effects of climate change does not currently produce results that are trustworthy enough to serve as a basis upon which decision makers can address adaptation options. This is particularly true when trying to model the effect of a changing climate on the frequency, magnitude and spatial occurrence of extreme weather events such as floods, cyclones and droughts. To date, GCMs have been unable to present unambiguous results relating to extreme events. Most models assume only gradual changes in climate.

23. Many impacts arise from quite localized climate conditions but most climate GCMs provide results only across fairly large geographic areas. There is a need for enhanced regional specification of climate variables at geographic levels consistent with the impacts of climate change. For example, there are no models focusing on the adverse effects of climate change in the Sahelian region, which is prone to drought, desertification and fragile ecosystems.

24. Another major challenge confronting the use of GCMs, and adding to the uncertainty of their outputs, is the lack of data at adequate temporal resolutions, particularly for climatic variables other than temperature and rainfall.

25. Climate impact sectoral models currently used by developing countries cover primarily agriculture, water resources, health and coastal zones. Most allow some quantitative assessment of biophysical impacts. Some include adaptation into this assessment. The workshop discussed in detail the current status of modelling activities in the sectors of health and of agriculture and food security.

26. Current knowledge on the relationship between climate and health is limited. Most models concentrate mainly on the statistical association of climate variability with the incidence of disease. It is not easy to extrapolate these findings to the assessment of long-term impacts of climate change, especially given the uncertainties of climate change scenarios.

27. Modelling climate change impacts on agriculture was seen to be more advanced than modelling in other sectors. The simulation crop growth models allow an effective evaluation of impacts arising from changes in climate variables as well as from the effects of direct carbon dioxide fertilization, and are able to incorporate different adaptation options in the assessment.

28. For the purpose of supporting adaptation to climate change, an important issue for the evolution of modelling activities in all sectors is how to incorporate into the modelling process the different categories of adaptation options for natural and human systems (anticipatory, reactive, natural systems, human system, planned, autonomous), how to assess adaptive capacity and how to address the link between climate change and climate variability and extremes. In addition, methodological issues such as the use of discount rates, intergenerational equity, risk assessment, opportunity costs, and weighting uncertainty in cost-benefit analyses, are some of the areas in need of further attention.

29. One constraint facing the user community is insufficient knowledge of all the modelling options available, and of their detailed specifications, limitations, data needs, accuracy and assumptions. It

would be useful to centralize this information for easy access by users, in particular by developing countries, by establishing a comprehensive catalogue to enable comparisons and informed selection.

30. In spite of efforts towards improving cooperation in the development and use of models, there is not enough sharing of experience in the use of models, particularly among developing countries where synergies could be promoted by pooling information on data needs, appropriateness to specific sectors or geographical regions, accuracy of results, best practices and lessons learned.

31. The involvement of stakeholders in the modelling process for climate impacts is important and needs further promotion to ensure that these modelling activities integrate well with national development priorities, and that they provide the relevant answers to questions posed by policy makers in assessing adaptation options. In this context, there is a need for interagency coordination at the national level in the process of model development and application.

32. In this light, the paradigm surrounding modelling activities should evolve into one that is stakeholder-driven and supportive of national sustainable development priorities. Modelling activities should be seen as a component of support for decision-making under uncertainty, particularly for the evaluation of adaptive responses to climate change.

33. Participants concluded that more efforts should be made in developing and/or adopting methodologies and tools for conducting detailed sector and case study specific vulnerability assessments, which could lead to a more precise assessment of how to implement specific adaptation options. In this regard, the enhancement of regional networks can be an effective means for overcoming scale issues in the development of modelling frameworks and for sharing insights.

C. Impact of the implementation of response measures and approaches to minimize such impact

34. Although some modelling work has been done to date to assess the impact of the implementation of response measures, current models are not able to model climate policy impacts adequately. Results vary depending on the model used and on input data or assumptions. Existing models produce a wide diversity of short-term impacts, although if a full portfolio of mitigation options is used, all models show that potential adverse impacts would be reduced. In the longer term (post 2020), with more aggressive reductions, impacts may be greater – although this depends on policy choices.

35. Existing models have been developed mainly in industrialized countries such as the United States, Australia, Japan and in Europe, and the concerns and national circumstances of developing countries have not been fully integrated into their structure. In particular, they are unable to fully disaggregate the impacts of a suite of climate change measures and mechanisms given the intricate linkages between national and international economies, the complexities among sectors, and the transdisciplinary nature of such impacts. However, existing models may serve as a useful basis for future work in meeting the analytical needs of developing countries.

36. The greatest benefit of economic modelling is that it provides a structured framework for organizing data and ideas, but there is substantial uncertainty associated with the results of such modelling exercises as a result of data gaps, model structure inadequacies and the incomplete analytical framework for evaluating the impacts of response measures. These uncertainties raise serious questions about the appropriate use of models. They further limit the value of the absolute quantitative outcomes of models and the significance of individual quantitative calculations. However, all participants viewed comparison of policy approaches as a fruitful use of modelled data.

37. There are other difficulties associated with the use of such models, relating to availability of comprehensive data sets, the validity of assumptions and the compatibility and applicability of these

assumptions to the modelling exercise, verification, quantifying the economic impacts associated with the different policies and policy instruments (fiscal, monetary, regulatory) and separating climate policy consequences from consequences of other policies (e.g. energy, environment, social). Some participants believed that approaches to modelling should focus on the impact of individual policies but others felt that they should address packages of policies. At the moment most approaches focus on a portfolio of policies covering all sectors.

38. In terms of conceptual or methodological challenges, in order to determine the impact of response measures it is necessary to compare current economic conditions with those of an idealized world in which no measures are undertaken. Additionally, most academic and government analyses of response measures are normative and focus on the implications of policies not yet implemented for developed countries. Further improvement in these models is needed in the types of policy covered, the gases modelled, and how to model trade policies and their effects, among others. Additionally, training for proper interpretation of the data from existing models needs further urgent attention.

39. There are many other methodological complexities that may influence a model's simulation of the impacts of response measures. First, there is the issue of defining policy choices – which polices are used; which gas, fuel and sector is the focus of the simulation; when do the polices take effect and how are these then modelled. Second, within the policy choices there is the question of definition of specific policies and their coverage of greenhouse gases, given that these are not equally divided among all sectors, although energy and carbon dioxide are considered to be the most important sector and gas, respectively. It is important to disaggregate emissions by sector and by gas for useful policy analysis.

40. Based on information from the IPCC Third Assessment Report (TAR), the way models generally treat policies affects the assessment differently, depending on whether they are top-down, bottom-up, General Equilibrium Models, input–output or macroeconomic models. Market policies are often stylized representations only, and market imperfections are not well represented, if at all. With regard to technology policies, most models require exogenous assumptions on behaviour and preference. Most models are seldom able to account for new technology, or to accurately estimate the geographic diffusion of existing technologies. One presenter noted that impacts to response measures differ with types of economies, and that one may not be able to generalize in this regard.

41. The TAR suggests that there may be adverse impacts of response measures on some developing countries, and further work is needed to determine, with less uncertainty, the magnitude of the impact of response measures and to assess the impacts of response measures on individual countries. To this end, it was suggested that a specific chapter in the fourth assessment report of the IPCC could be dedicated to analysing ways to minimize the impact of response measures on developing countries.

42. Some participants stressed the urgency for refining methodologies to assess the impacts on developing countries of policies already implemented by Annex I Parties. In order to do so, current models for evaluating the effects of response measures need to be expanded in their coverage of countries and of issues. The objective should not be to determine which model or group of models is more advanced, but rather to agree on which existing models can be used as part of a portfolio of tools for decision-making.

43. These participants also suggested that in assessing the effects of policies, such factors as market approaches (taxes, subsidies, cap-and-trade), regulations, and research and development need to be included in the simulation. A major constraint for assessment is incomplete data on specific policy information and a lack of methods to parameterize them properly. To date, the interactions between multiple policies – either within or across countries – are not fully understood. There is also an

inadequate assessment of technology development. In addition, few models have been tested against present day observations.

44. In the light of these constraints it was proposed that more modelling efforts, which would provide a detailed examination of welfare, terms of trade and socio-economic impacts on individual developing countries, be undertaken. These efforts should also strive to improve the effectiveness of current modelling activities for assessing the impact of implemented response measures in areas such as:

(a) Data sets (technology, energy data, economic and social indicators);

(b) Development of assumptions that are widely accepted based on standardized approache. so as to improve the effectiveness and speed of the process, and reduce costs;

(c) Verification of existing data;

(d) Improving the models so that they can address implemented rather than potential policies and measures;

(e) Establishment of baseline data.

D. Enhancing the participation of developing country experts in modelling efforts

45. Several initiatives and support programmes have been launched in the past five to eight years to advance scientific knowledge on climate change impacts and vulnerability, to build capacities on methods to assess vulnerability and adaptation and identify adaptation measures, and to provide related training tools and materials, especially for developing countries. Some notable initiatives funded by the Global Environment Facility (GEF) were implemented since 1993, such as the UNDP/GEF CC:Train Programme (executed by UNITAR), the UNDP-PICCAP[1] project and most recently the UNDP/GEF National Communications Support Programme.

46. An evaluation conducted on some of the existing training initiatives on modelling revealed that current software is restricted in its coverage of observed data sets to four large geographic regions (Europe, South Asia, North America and southern Africa). This resolution is too coarse for some countries or regions, especially for Small Island Developing States (SIDS) and mountainous countries. A second constraint is a lack of consideration of inter-annual climate variability.

47. Two other concerns were the lack of models and related technical material in languages other than English, and the high costs to acquire modelling tools and their related training material. Developing country participants reiterated the urgent need for support for data collection.

48. In order to maintain the quality of these methods and methodologies and update them to the needs of users, ongoing support is also needed for periodic revision, training for their utilization and interpretation, and translation and dissemination of information on the models into official UN languages for developing countries.

49. Models applicable to developing countries are currently being developed, but there is a need for capacity-building and more involvement of experts from these countries, and in particular from the poorest economies. Such efforts are expected not only to help in customizing models to the needs of these countries, but also to integrate the results of modelling tools into policy and strategy development.

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[1] Pacific Islands Climate Change Assistance Programme.

V. ISSUES FOR FURTHER CONSIDERATION

50. Participants mentioned the following key issues as possible areas for further consideration:

(a) Utilizing national communications as a useful channel for disseminating information on modelling. Annex I Parties could include information on support for non-Annex I countries to improve their capacity in modelling activities and to assess their vulnerability under Article 4.8 and 4.9 of the Convention. Non-Annex I Parties could include in their national communications information relating to their capacity-building needs for modelling, and on activities completed or under way in this regard.

(b) Making available detailed information on the logic and data needs of individual models, and compiling and disseminating information on generic modelling methods and tools.

(c) Ensuring cost-effectiveness in funding modelling activities and disseminating modelling results, through increased collaboration among existing national, regional and international entities engaged in data gathering and data management for climate impact models, such as WMO, WHO, FAO and UNEP, as well as non-governmental organizations (NGOs). For economic models, collaboration with the United Nations Statistical Office (UNSO) and other UN agencies, the World Bank, OECD, OPEC, IEA, and others, should be enhanced.

(d) Providing capacity-building to developing country experts for constructing and strengthening data sets, improving the quality of analytical tools, and disseminating results of these efforts in sectors that can contribute to climate change impact analysis, and for the development of models to assess impacts of response measures. As a first step, this could be accomplished by increasing the participation of developing country experts in the technical work conducted by relevant organizations such as IPCC, FAO, IEA, and OECD, and increasing cooperation on modelling activities among UN organizations and other agencies and research institutions and universities in the South. In establishing such links experts in developing countries can be trained to use the models and interpret the results, so as to be able to make the right choices using existing multilateral and bilateral arrangements.

(e) Mobilizing the process of implementation of Article 6 of the Convention on education, training and public awareness, with the objective of enhancing the participation of developing country experts in the international modelling development process, in particular in the context of Article 6 (a) (iii) and 6 (b) (ii).

(f) Continuing research on improving model quality by building upon the work already compiled by the IPCC in the Third Assessment Report. The IPCC may also wish to consider increasing the participation of developing country experts in the preparation of future IPCC assessments on modelling activities.

(g) Compiling and disseminating information on modelling methods and tools for assessing the vulnerability to the adverse effects of climate change and the impact of the implementation of response measures under Article 4.8 of the Convention. This could include the preparation of a catalogue of existing models currently in use. The catalogue could categorize models in terms of attributes for decision-making and selection of models, including information on their use, cost, data requirements, coverage, strengths and limitations, as well as contact information. The catalogue could also clarify similarities and differences between models, and the appropriateness of the use of certain models for specific circumstances, sectors or regions, and would include examples of the successful application of such models, particularly in developing countries.

(h) Enhancing the Stakeholder consultation process at all stages of model specification, validation and acceptance.

Annex

AGENDA FOR THE WORKSHOP ON THE STATUS OF MODELLING ACTIVITIES TO ASSESS THE ADVERSE EFFECTS OF CLIMATE CHANGE AND THE IMPACT OF IMPLEMENTED RESPONSE MEASURES

Wissenschaftszentrum
Bonn, Germany
16–18 May 2002

16 May 2002

Session 1:

- Introduction and opening of the meeting

Session 2:

- **Evolution and current status of modelling activities to assess the adverse effects of climate change**
  Lin Erda, Chinese Academy of Agricultural Sciences, China
  Raúl Ponce Hernández, Food and Agriculture Organization of the United Nations

Session 3:

- **Identification of gaps and limitations in current approaches to modelling activities to assess the adverse effects of climate change**
  Richard Klein, Potsdam Institute for Climate Impact Research, Germany
  Bettina Menne, World Health Organization

Session 4:

- **Recommendations for improving the effectiveness of modelling activities to assess the adverse effects of climate change**
  Mario Nuñez, National Council of Scientific and Technological Research, Argentina

17 May 2002

Session 1:

- **Evolution and current status of modelling activities to assess the impact of response measures already implemented on individual developing country Parties**
  Thomas Rutherford, University of Colorado, USA

Session 2:

- **Identification of gaps and limitations in current approaches to modelling activities to assess the impact of implemented response measures, as well as in approaches to minimize the adverse effects of response measures on developing countries**
  Jonathan Pershing, International Energy Agency
  Thomas Rutherford, University of Colorado, USA

Session 3:

- **Recommendations for improving the effectiveness of modelling activities to assess the impact of implemented response measures**
  Mark Howells, Energy Research Institute, South Africa
  Mohan Munasinghe, Munasinghe Institute for Development, Sri Lanka

Session 4:

- **Enhancing the participation of developing country experts in modelling efforts to assess the adverse effects of climate change and the impact of implemented response measures**
  Annie Roncerel, United Nations Institute for Training and Research
  Khalid Abouleif, Ministry of Petroleum and Mineral Resources, Saudi Arabia

18 May 2002

- Panel discussion on workshop outcome, recommendations and conclusions
- Closing remarks

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ADMINISTRATIVE AND FINANCIAL MATTERS

AUDITED FINANCIAL STATEMENTS FOR THE BIENNIUM 2000–2001

Report of the United Nations Board of Auditors

Note by the Executive Secretary*

1. The financial procedures of the Convention require that "a final audited statement of accounts for the full financial period shall be provided to the Conference of the Parties as soon as possible after the accounts for the financial period are closed." They also stipulate that "the accounts and financial management of all funds governed by these financial procedures shall be subject to the internal and external audit process of the United Nations" (FCCC/CP/1995/7/Add.1, decision 15/CP.1, annex I, paras. 18-19).

2. The United Nations Board of Auditors audited the financial statements for the biennium 2000-2001. The full text of the Board's report, which was received by the secretariat on 18 July 2002, is attached herewith as received, without editing. The financial statements as at 31 December 2001 have been issued as an addendum to this document.

3. The Subsidiary Body for Implementation is invited to take note of the information contained in the audited financial statements and the report of the external auditors. It may also wish to propose appropriate actions which may be included in the draft decisions on administrative and financial matters to be adopted by the Conference of the Parties at its eighth session.

* Submission of this document was delayed because internal consultations took more time than had been anticipated.

GE. *0020638 85*

ENG

Annex

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I. LETTER OF TRANSMITTAL

UNITED NATIONS **NATIONS UNIES**

BOARD OF AUDITORS

NEW YORK

FAX (212) 963-3684

27 June 2002

Sir,

I have the honour to transmit to you the financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the biennium 2000–2001 ended 31 December 2001, which were submitted by the Executive Secretary. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(signed)
Shauket A. FAKIE
Auditor-General of the Republic of South Africa
and Chairman
United Nations Board of Auditors

The President of the Conference
of the Parties
United Nations Framework Convention
on Climate Change
Bonn, Germany

II. REPORT OF THE UNITED NATIONS BOARD OF AUDITORS ON THE FINANCIAL STATEMENTS OF THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE FOR THE PERIOD ENDED 31 DECEMBER 2001

A. SUMMARY

The Board of Auditors has reviewed the operations of the United Nations Framework Convention on Climate Change (UNFCCC), and has audited its financial statements for the biennium ended 31 December 2001.

The Board's main findings are:

(a) The records of unliquidated obligations are not accurate;

(b) Travel advances have not been cleared in a timely manner, but corrective action was under way mid-2002;

(c) UNFCCC does not get any interest on balance of its bank account opened at Bonn while at the same time it pays for bank services;

(d) Due to current arrangements between UNFCCC and the United Nations Office at Geneva, UNFCCC is not in a position to monitor payment of salaries made to its staff;

(e) The Board expresses its concern that at the end of the biennium 2000-2001 no final decision had yet been made on the Integrated Management Information Systems (IMIS);

(f) An internal audit review on the determination of steps within grade for all staff considered that, out of 109 cases, 38 cases were under-graded and 16 cases over-graded. At the end of biennium 2000-2001, an amount of $200,000 has been accounted as unliquidated obligation in the Core Budget to correct the situation of under-graded staff. The amount paid on the basis of over-graded steps has not been computed by UNFCCC.

The Board made recommendations to strengthen the budget planning, ensure a complete and accurate disclosure of non-expendable property, improve financial records, bank services, IMIS and the co-ordination with the United Nations Office at Geneva.

A list of the main recommendations is presented in paragraph 7 of the Board's report.

B. INTRODUCTION

1. The Board of Auditors has audited the financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the biennium 2000–2001, in accordance with decision 15/CP1 of the Conference of the Parties. The audit was conducted in conformity with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the biennium 2000–2001 had been incurred for the purposes approved by the governing body; whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements of UNFCCC presented fairly the financial position as at 31 December 2001. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence, to the extent the Board considered necessary.

3. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under regulation 12.5 of the Financial Regulations and Rules of the United Nations. The reviews primarily concerned the human resources management, the administrative arrangements with the United Nations Office at Geneva, and the information and communication technology system.

4. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Conference of the Parties. The Board's observations and conclusions were discussed with the secretariat whose views, where appropriate, have been reflected in the present report.

5. The Board's main recommendations are presented in paragraph 7 below. The detailed findings are in paragraphs 9 to 67.

PREVIOUS RECOMMENDATIONS NOT FULLY IMPLEMENTED

6. The Board has reviewed the action taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 1999 and confirms that, in general, there are no important outstanding matters. Details of the action taken and the comments of the Board are set out in the annex to the present report.

MAIN RECOMMENDATIONS

7. The Board's main recommendation are that UNFCCC:

(a) Improve accounting and internal control procedures (para. 29);

(b) Improve its procedures to register, track and control UNOG-based operations, and decide and implement the financial management system with full assistance from the United Nations as a matter of priority (para. 55 and 58);

(c) Value precisely the costs incurred by over-grading staff members and take steps to minimize this over-expenditure (para. 66);

8. The Board's other recommendations are shown in paragraphs 15, 21, 24, 26, 31, 33, 37, 42, 48, 51, 53, 62, and 64.

C. FINANCIAL ISSUES

FINANCIAL POSITION

Overall position

9. Statement I shows that the combined reserves and fund balances increased by some $5.0 million, from $11.5 million to $16.5 million during 2000–2001. The increase is mainly the result of:

(a) A net excess of $2.4 million in income over expenditure of the special account for UNFCCC Programme support costs;

(b) The increase from $2.2 million at the end of 1999 to $4.4 million at the end of 2001 of the reserves of the Trust Fund for Supplementary activities;

(c) A net excess of $1.1 million of income over expenditure of the Special Account for Technical co-operation ("Clean Development Mechanism Project", financed by the United Nations Fund for International Partnership, UNFIP);

(d) A short-fall of income over expenditure of $1.5 million, with the reserves of the Trust Fund for the Core Budget having decreased from $8.1 million to $7.2 million.

10. In the total amount of reserves and fund balances at the end of 2001 ($16.5 million), the part of the Core Budget was $7.23 million (43.8 per cent), while the Trust Fund for Supplementary activities has a balance of $4.42 million (26.7 per cent) and the special account for UNFCCC programme support costs, of $2.44 million (14.7 per cent).

11. Statement II shows assets at December 2001 of $22.6 million ($17.0 million at the end of 1999), and liabilities amounting to $6.1 million ($5.5 million at the end of 1999). The value of assets was 3.7 times the value of liabilities (3.1 in 1999). Cash and term deposits increased by $3.4 million, from $14.4 million to $17.8 million; as a result, the ratio by which cash and term deposits are available to cover liabilities increased from 2.6:1 to 2.9:1.

Outstanding contributions receivable

12. At the beginning of the biennium, a total amount of $1,191,651 was recorded as contributions receivable from 110 Parties of the Convention. The receivable contributions of over $50,000 from seven Parties represented $718,968 (60.3 per cent of the total amount).

13. At the end of the biennium, an amount of $3,420,773 was at first recorded for contributions receivable from 117 Parties. After the closure of the accounts, $2.1 million was paid by one Party. After this payment, the outstanding contributions represent about 5.9 per cent of contributions receivable, close to the level at the end of the previous biennium.

14. Forty-two Parties owing $132,799 at the end of 1999 did not pay any contribution during the biennium 2000–2001, and now owe $216,509. No provision has been made for doubtful receivables in contributions. This option is allowed by United Nations System Accounting Standard 33, but caution might lead to consider setting such a provision.

15. The Board recommends that UNFCCC pursue its efforts to obtain payments from Parties, and consider creating a provision for doubtful receivables.

Core budget implementation

16. At its fifth session, the Conference of the Parties approved the programme budget for the biennium 2000–2001, which amounted to over $25 million ($22.3 for Programmes expenditure, $2.9 million for overhead charges and $86,900 for working capital reserve). The Conference of Parties approved an additional resource of $1,263,200 for national communications. It also authorized the Executive Secretary to incur additional expenditure of up to $1 million to offset part of the costs of activities arising from the preparatory process leading to the sixth session of the Conference of the Parties.

17. By the same decision the Conference authorized the Executive Secretary to make transfers between each of the main appropriation lines set out in the budget table, up to a limit of 15 per cent of total estimated expenditure for those appropriation lines, provided that a further limitation of up to minus 25 per cent of each such appropriation line shall apply. The expenditure for 2000–2001 against authorized budget was as follows:

Table 1. Implementation of the programme budget for the biennium 2000–2001
(In thousands of United States dollars)

Expenditures	Budget	Expenditure as at 31 December 2001	
1. Programmes		Amount	Percentage
Executive Direction and Management	1,523.2	1,127.4	74.0
Planning, Coordination and Emerging issues	2,447.4	1,724.4	70.5
Science and Technology [1)]	4,644.2	4,173.2	89.9
Implementation [2)]	6,416.4	5,043.1	78.6
Information, Outreach and Administrative Services	3,190.2	3,340.5	104.7
Intergovernmental and Conference Affairs	5,456.6	6,036.3	110.6
Preparation for COP 6 [3)]	885.0	1,952.0	220.6
Sub total	24,63.0	23,396.9	95.3
2. Programme Support Costs (13 per cent)	3,193.2	3,040.6	95.2
Total 1 + 2 =	**27,756.2**	**26,437.5**	**95.2**

[1)] Including an increase of $300,000 from available resources, to the Intergovernmental Panel on Climate Change

[2)] Including an additional resource for secretariat support in accordance with para. 6 of decision 20/CP.5.

[3)] Additional expenditure of up to $1 million for preparatory process leading to the 6th Conference of Parties (COP 6) in accordance with para. 15 of decision 20/CP.5.

18. As shown in table 1, expenditure amounted to 95.2 per cent of the approved budget. Four programmes were underspent, two of them by more than 25 per cent. The other three programmes were overspent, two of them in the authorized frame of 15 per cent.

19. The Board notes that the preparation for the sixth Conference of Parties was overspent by more than 120 per cent, at $1.952 million instead of $0.885 million. UNFCCC explained that this over-expenditure was necessary following the decision to resume COP 6 for another two weeks. The Parties had been informed of the additional expenditure through the document FCCC/SBI/2001/16, Page 8, Para 18, dated 19 October 2001.

Trust Funds for participation in the UNFCCC process (FI)
and for supplementary activities (FR)

20. The "Trust Fund for Participation in the UNFCCC process" (FI) and the "Trust Fund for Supplementary activities" (FR) depend exclusively on voluntary contributions. Table 2 shows that a shortfall in income reduced the reserves and fund balances of the Trust Fund for Participation, which funds some 200 participants at every session of the COP and over 100 participants at the subsidiary body meetings. The Trust Fund for Supplementary activities matched 95 per cent of the planned budget income, while the foreseen expenditure reached 55 per cent of the budget. The net excess of over $2.6 million increased the reserves and fund balances, contributing to a further improvement of the overall financial position.

Table 2. Prevision and implementation of the Trust Funds
(In thousands of United States dollars)

	Trust Fund for Participation in the UNFCCC process	**Trust Fund for Supplementary Activities**
Budget proposal	3 691.8	6 178.9
Income *(per cent of budget)*	2 995.8 *(81.1)*	5 873.3 *(95.1)*
Expenditure *(per cent of budget)*	3 689.9 *(99.9)*	3 427.0 *(55.5)*
Net excess (short fall) [a] *(per cent of budget)*	577.4 *(15.6)*	2 661.5 *(43.1)*

a) The difference between income and expenditure is corrected by prior period adjustment (see statement 1 of the financial statements)

21. The Board notes that the shortfall in income for the Trust Fund for Participation in the UNFCCC process did not lead to limiting its expenditures, exposing it to a 15.6 per cent net deficit, and recommends that the Secretariat make further efforts to improve the fund-raising or adjust the expenditure according to actual resources.

UNITED NATIONS SYSTEM
ACCOUNTING STANDARDS

22. The Board assessed the extent to which financial statements of UNFCCC for the biennium ended 31 December 2001 conformed to the United Nations System Accounting Standards (UNSAS). The review indicated that the presentation of the financial statements was generally consistent with the standards.

AFTER-SERVICE LIABILITIES

23. In its report for the previous biennium, the Board recommended that UNFCCC disclose in the notes to the financial statements the value and method of valuation of liability for end-of-service benefits, post-retirement benefits and annual leave in compliance with UNSAS. This recommendation has not been implemented in the financial statements, prepared by UNOG. Moreover, there is no provision in UNFCCC's financial statements to cover the liability for after-service health insurance. UNFCCC was to contact again the United Nations Headquarters on this matter, to perform an actuarial valuation of the liabilities.

24. The Board reiterates its previous recommendation on the disclosure of after-service liabilities and recommends that UNFCCC, in conjunction with the United Nations and other funds and programmes, review the funding mechanism and targets for after-service benefits to provide for the full estimated liability.

NON-EXPENDABLE PROPERTY

25. Further to the Board' review, UNFCCC included in its inventory of non-expendable property information and communication hardware and software valued at an acquisition cost of $2,872,216. The Board noted that $905,921 in IT equipments (31 per cent of the total value of such equipments) bought prior to 1996 were not written off until the Joint Local Property Survey Board met for the first time in May 2002. Since the Board's audit, UNFCCC has launched a review of its inventory guidelines.

26. The Board recommends that UNFCCC take decisions timely on write-off of non-expendable property, in compliance with United Nations regulations.

DISCREPANCIES BETWEEN THE FINANCIAL STATEMENTS AND THE ALLOTMENT REPORTS

27. As shown in table 3, the global amounts reported as unliquidated obligations (ULOs) in the allotment reports issued by Trust Funds do not match the amount of ULOs in the financial statements:

Table 3. Unliquidated obligations reported in the financial statements and in the allotment reports

Trust Funds	a. Financial statements	b. Allotment report	c. Difference	Percentage c/a
Programme support costs (ZR)	13 525	11 029	2 496	18.4
Supplementary Activities (FR)	240 716	215 784	24 932	10.3
Participation in the UNFCCC process (F1)	484 394	453 772	30 622	6.3
Core budget of UNFCCC (FC)	2 005 520	1 897 329	108 190	5.4

28. There is no internal control on misposting in the accounts or reconciliation between allotment figures and trial balance. Also, in case of overspending, the initial allotments are not supplemented by new allotments, which may explain most discrepancies between the financial statements and the allotment reports. UNFCCC informed the Board that corrective action has been taken, in liaison with UNOG, regarding the checking of the unliquidated obligations, their reconciliation with the financial statements, and that the 2002 opening balance would now match the closing balance of 2001.

29. The Board recommends that UNFCCC pursue, in liaison with UNOG, the improvement of accounting and internal controls.

UNLIQUIDATED OBLIGATIONS

30. Supporting documentation is not always available on unliquidated obligations, and some that should have been cancelled or settled remain posted as unliquidated obligations in the financial statements.

(a) Examples relating to obligations that should have been liquidated (settled): include many for which travels were completed, and disbursements were made; another example, relate to a

miscellaneous obligation for which the imprest account opened for the Mexico workshop held in May 2000 was still open early 2002 for $50,000 in the trial balance, while funds had been accounted for, and the remaining $6,308 returned, on November 2000;

(b) Example of obligations which should have been cancelled: obligations erroneously raised twice for the same travel and not corrected later; disbursements not made against the relevant obligation, the later remaining improperly as ULO. After the Board's audit, UNFCCC began to clear all unliquidated obligations.

31. The Board recommends that UNFCCC complete its review of unliquidated obligations in compliance with financial regulations.

TRAVEL ADVANCES

32. Uncleared staff travel advances amounted to $380,197 at the end of 2001. There was no obligation document reference for $47,921, except for a reference to "UN 3002100". About a third of the outstanding travel advances recorded had been issued prior to 2000: 9 in 1997, 18 in 1998, 23 in 1999, 34 in 2000, for a total amount of over $100,000. Some $81,000 related to only 10 staff members for uncleared travel advances at the end of 2001. In some 15 per cent of cases, the travel advance paid had been directly accounted for as expenditure. UNFCCC has initiated corrective actions after the Board's review.

33. The Board recommends that UNFCCC (i) settle all old outstanding travel advances promptly and improve internal controls, in order to ensure that travel advances are regularly cleared, and (ii) cease directly accounting for advance travel payments as final expenditure.

WRITE-OFF LOSSES OF CASH, RECEIVABLES AND PROPERTY

34. UNFCCC reported losses of $8,749 on travel advances.

EX-GRATIA PAYMENTS

35. No ex-gratia payments were reported by UNFCCC during the biennium 2000-2001.

D. MANAGEMENT ISSUES

IMPREST ACCOUNT

36. A bank account was opened in 1996 in a bank located at Bonn. The monthly cash level has quadrupled to 1.3 million Deutsche Mark at the end of 2001. The initial banking conditions have never been renegotiated with the bank. While no interest is received on the balance of the bank account, fees are charged by the bank for services. UNFCCC indicated that a re-negotiation of banking facilities would depend on whether a treasury function of sufficient size subsisted once IMIS is implemented. UNFCCC would then proceed to negotiate for improved banking facilities, and has already taken steps into that direction.

37. The Board recommends that, pending the decision on IMIS implementation, banking conditions and services be renegotiated by UNFCCC and the resulting new agreement with the bank should be formally approved by the United Nations Headquarters Treasurer through UNOG.

ADMINISTRATIVE ARRANGEMENTS

Common administrative services

38. Under the administrative support arrangements agreed in 1996, the United Nations Office at Geneva provides support to UNFCCC in the areas of personnel, finance and common services. In 1998, UNFCCC and the United Nations reviewed the administrative arrangements with a view to determining how they could be best organized to strengthen and clarify accountability in a cost-effective manner. On the basis of the results of the review, all parties concerned agreed that, with certain exceptions, UNFCCC should assume responsibility for all its administrative, financial, procurement, personnel and travel functions. The Board had recommended that, until transfer of all functions is complete, UNFCCC and UNOG reach a clear understanding as regards responsibility for the accuracy and completeness of the secretariat's financial records and the financial statements submitted to the Conference of Parties. These recommendations have been accepted by the Conference of Parties, which invited the Executive Secretary to implement the recommendations.

39. UNFCCC has assumed responsibility for human resources management up to, but not including, the payroll computation and payment, which continue to be performed by UNOG. Staffing in its personnel section has been increased and payroll data is now being input to the IMIS module only by a mail link between UNFCCC and UNOG. Progress, albeit to a lesser degree, has also been achieved very recently in the transfer of additional administrative and financial responsibilities to UNFCCC.

40. The expenditure carried out through the Bonn imprest-account in Deutsche Mark, now Euros, is accounted for in Geneva with delay, which involves supplementary checks and administrative work. A part of income, especially interest income (and miscellaneous income) cannot be verified in Bonn as the supporting documentation is kept in Geneva. Certifying officers do not always have on file the necessary data.

41. As recommended by the Board in its previous report, UNOG and UNFCCC, after discussing several versions, signed two Memorandums of Understanding agreement, for the periods 2000–2001 and 2002, on 16 October 2001 (UNFCCC) and on 20 December 2001 (UNOG). This late conclusion for the last biennium, a few days before the related period expired, exposed UNFCCC to the continuing risk of inaccuracies in financial records and statements and explains the limited progress toward streamlining administrative functions.

42. The Board recommends that UNCC complete with UNOG the review of administrative arrangements between United Nations entities in Bonn in order to streamline and build up common services capable of providing transversal administrative and financial functions in the most cost-efficient fashion.

Staffing and costs of administrative and financial functions

43. The proposed budget for 2000–2001 (FCCC/CP/1999/INF.1) stated that no financial management and administration posts are required in the core budget and that the overhead charge resources will be used to fund 14 financial and administrative posts (subject to review of administrative arrangements). The approved budget for 2000–2001 (FCCC/CP/1999/6/Add.1) includes overhead charges totalling $2.02 million for 2000 and $2.07 million for 2001.

44. All administrative posts are funded from the programme support cost payments earned by UNFCCC. In May 2000, the Executive Secretary approved a revised structure for administration and finance, with 31 posts. This staffing table was more than double the proposal which led to the approval of the 2000–2001 budget. In February 2001, the staffing table was further increased to 40 posts. As at 1 April 2001, the secretariat had a total of 41 administration and finance posts, representing some 30 per

cent of the 141-strong staff. Based on these figures, the ratio of non-administrative to administrative staff is 2.9:1.

45. UNCC has commented that its Executive Secretary reports to the COP the total expenditures arising out of programme support costs, and has the authority to recruit administrative staff to support programmes without its prior approval.

46. UNFCCC funded its administrative and finance functions with a support from the United Nations Headquarters Fund for administrative costs (fund OKB, $1,586,000 in 2000, entirely spent by year-end 2001), and from its own Support Costs, from the fund ZR which amounted to $4,368,000, of which $1,929,000 were spent. Added to the costs of services provided by UNOG ($128,100 in 2000 and $199,700 in 2001), the total costs for the administrative and finance functions amounted to $3.8 million during the biennium

47. The administrative and financial functions of UNCCD and the United Nations Framework Convention on Climate Change (UNFCCC) are currently performed partly by their respective secretariats and partly by UNOG. Other non-programme functions, such as maintenance, cleaning and security are provided by a Common Services Unit which assists UNCCD, UNFCCC and other United Nations agencies located in the same premises. These organizations are faced with similar difficulties which they could address jointly while retaining their independence, but they have not yet extensively shared common tools, and have no extensive joint services. UNCCD and UNFCCC have been exploring the feasibility of establishing a Common Management Services unit to deal with such aspects as finance, general administration, human resources, procurement and travel.

48. The Board commends UNFCCC for this initiative and recommends that a Common Management Services unit be implemented in light of the implementation of the integrated management information system.

INFORMATION AND COMMUNICATION TECHNOLOGY

49. The Information and Communication System (ICT) costs are high for an organization of the size of UNFCCC ($3.2 million for the biennium), due partly to the fact that UNFCCC replicates the entire headquarters ICT environment twice per year at conference venues in Germany and elsewhere; these conference ICT environments support 150 or more staff as well as provide ICT services for up to 4,000 participants per conference. UNFCCC indicated that this explains why the equipment value was $2,872,216 as at 31 December 2001 out of which $905,921 was to be written-off. Forthcoming write-offs deducted, this amounts to some $18,000 in equipment for each of the 109 permanent staff members.

50. The technical infrastructure is recent and well-suited to the present activities, as is the staffing (18 posts, out of which 7 posts are directly concerned with ICT), but a lack of strategy has prevented UNFCCC from planning its ICT equipment and staffing requirements in the longer term. There is no short, medium or long-term ICT strategy. Hardware and software policies were established in 1998 and updated in 2000, but there are no coherent tools to track the budget components and monitor performance indicators.

51. The Board recommended, and UNFCCC agreed, to introduce a long-term ICT strategy, and coherent monitoring of ICT expenditure and performance.

52. The level of ICT security is satisfactory, although there is no disaster recovery plan, since the applications hosted in Bonn are not critical to the operations, and no off-site back up procedure.

53. The Board recommended, and UNFCCC agreed, to promptly implement an off-site back up procedure, and to develop disaster recovery plan and procedures.

54. Accounting documents are sent directly to Geneva by mail, and the UNOG teams enter Human Resources data on the Integrated Management Information System (IMIS) R2/4 (employee administration, payroll), and accounting data either on IMIS R3 (program support budget and accounting) or on the old GAS SYSTEM (accounting and budget). In August 2000, a link with the UNOG IMIS payroll module has been put on-line, but UNFCCC has no tool to register and track operations, as the neighbouring United Nations Convention to Combat Desertification (UNCCD) operates under similar circumstances, nor does it apply a posteriori controls on data entered at UNOG.

55. The Board has recommended, and UNFCCC has agreed, to improve procedures to register, track and control UNOG-based operations.

56. Given the lack of effective controls, UNFCCC remains exposed to serious risks in terms of reliability of the accounting data. The information system is not fully secure in regard to the exchange of data with UNOG, and controls are neither formalized nor carried out on a regular basis. The risk of input errors is high. Moreover, processing lead-times can be as long as several weeks or months if there have been errors when entering data. Management in Bonn relies on the reports provided by UNOG, which are not standardized due to the three systems in use, rendering their monitoring partly ineffective. The small size of the organization enables it, however, to manage flows manually and in detail. The Board expresses serious doubts about the reliability of the mixed Bonn-Geneva, IMIS/GAS environment and about the related data output.

57. UNFCCC has been considering the local introduction of a financial management system. The United Nations Office at Geneva is of the opinion that it would be more economical to implement IMIS both in UNFCCC and the United Nations Convention on Climate Change (UNCCD). Consultations have been held, but by June 2002, no decision had been reached. The ensuing delays have impacted staff training, and accordingly impaired the streamlining and delivery of the administrative and financial functions. UNFCCC indicates that it has recently agreed to implement IMIS and has taken steps to upgrade the existing technical infrastructure, in order to accommodate additional demands posed by IMIS Release 3, and to provide a common gateway both UNCCD as well as for itself.

58. The Board has recommended, and UNFCCC has agreed, to promptly implement the financial module of IMIS in conjunction with UNOG and UNCCD.

HUMAN RESOURCES MANAGEMENT

59. UNFCCC selected IMIS solely for human resources management system. Final actions as well as payroll are processed, based on hard copies, by UNOG, instead of operating a direct data link. There is no procedure to verify that human resources actions initiated in Bonn are exactly taken into consideration by UNOG.

60. The secretariat manages and inputs "personal and social" data whereas UNOG manages data such as within grade increment. When a grade increment is not implemented, the Personnel Unit is informed by the staff member concerned and informs UNOG accordingly (two cases in November 2001). Payroll is processed by UNOG, which provides no feedback to the UNFCCC Human Resource Management Unit in Bonn. Pay slips or records of salary are not communicated, and the post incumbency report is not accurate: as at December 2001, two active staff members were not disclosed in the report. UNFCCC therefore has no control over payment of salaries or follow-up regarding budget.

61. The personnel management coding system does not reflect the different budget programmes of the secretariat (only one IMIS code 3418 for the whole secretariat). The follow-up of the implementation is complicated and needs a lot of corrections and reversals. UNFCCC indicated that such shortcomings might be solved by the introduction of IMIS Release 4 (salary related) which is planned to be implemented by end June 2002.

62. The Board recommends that UNFCCC improve its communication with UNOG, to ensure that human resources actions in Bonn are exactly implemented by UNOG.

63. The Board's review of a sample of consultant contracts disclosed a frequent lack of compliance with United Nations rules and guidance. Contrary to United Nations Administrative Instruction ST/AI/1999/7, consultants have been recruited directly without sufficient competition. Terms of reference do not always set out the quantity and quality of outputs expected from the consultants.

64. The Board recommended, and UNFCCC began, to review the compliance of its consultant contracting procedures with United Nations Regulations.

65. The Human Resources Management Unit has reviewed the determination of steps within grade for all staff (Professional and General Services staff). Out of 109 staff members, 55 were graded correctly, 38 were under-graded and 16 over-graded. The UNFCCC secretariat has the authority to remedy any situation on a retroactive basis, if found justifiable; it is considering a plan to do so. For this purpose, at the end of the biennium 2000–2001, an amount of $200,000 was accounted for as unliquidated obligation in the Core Budget to correct the situation of under-graded staff, when the decision is effectively made. The over expenditure resulting from over-graded steps has not been considered.

66. The Board recommends that UNFCCC value precisely the costs incurred on the over-graded staff members and take steps to prevent over-expenditure.

CASES OF FRAUD AND PRESUMPTIVE FRAUD

67. No cases of fraud or presumptive fraud were reported to the Board during 2000–2001.

E. ACKNOWLEDGEMENT

The Board of Auditors wishes to express its appreciation for the co-operation extended by the Executive Secretary and staff of UNFCCC and by the United Nations Secretariat.

(signed)
Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(signed)
Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(signed)
François **Logerot**
First President of the Court of Accounts of France

27 June 2002

F. Annex

Follow-up on action taken to the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1999

The Board has followed-up on the actions taken by UNFCCC to implement the Board's recommendations made in the context of its report for the biennium ended 31 December 1999. Table A summarizes the status of implementation of all the previous recommendations, while table B details specifically those recommendations not implemented, and those recommendations under implementation which require further comment.

A total of 13 recommendations were made in the audit of the biennium 1998–1999. Of the 14 recommendations, 1 (7 per cent) was implemented, 10 (86 per cent) were under implementation and 1 (7 per cent) was not implemented.

Table A. Summary of status of implementation of recommendations for the biennium ended 31 December 1999

Topic	Implemented	Under implementation	Not implemented	Total
COMPONENT A Financial Issues				
1. Non-expendable property		para. 10		
2. Accounts and financial reporting		Para. 8 (b) Para. 8 (c)	Para. 8 (a) (para. 11)	
3. Income	Para. 12			
Subtotal no.	1	3	1	5
Subtotal %	20%	60%	20%	100%
COMPONENT B Management Issues				
5. Offices and Common services		Para. 8 (d)		
5. Procurement		Para. 8 (e) Para. 8 (f) Para. 33, 37, 43		
6. ICT		Para. 42		
7. Consultants		Para. 8 (g)		
8. Accounts and financial reporting		Para. 8 (h)		
Subtotal no.	0	9	0	9
Subtotal %	0%	100%	0%	100%
TOTAL - No.	1	12	1	14
TOTAL %	7%	86%	7%	100%

Table B: Details on previous recommendations under implementation or not implemented for the biennium 1998-1999

Management			
Component/Area of concern	**Recommendation**	**As at *30 April 2002*** **Specific management action/comments**	**Comments of the Board**
(A)	(B)	(C)	(D)
Non-expendable property Ref.: Para. 8 (a)	To disclose in a note to the financial statements the value and method of valuation of non-expendable property…	Implemented.	Under implementation Refers to paragraph 26 and 27 of present report
Accounting and financial reporting Ref.: Para. 8 (a)	… and of liability for end-of-service benefits, post-retirement benefits and annual leave, in compliance with United Nations Accounting Standards.	This matter will be discussed with the Chiefs of Finance and Personnel and will be implemented in the future.	Not implemented Refers to paragraph 28 and 29 of present report
Accounting records Ref.: Para. 8 (b)	Ensure proper accounting records of conference payments, including signed receipts for payments, and proof of identification	UNFCCC in consultation with UNOG/UN financial services and has established a procedure for the approval, rostering and recording of such payments plus a means of verifying the validity of recipients and recording their receipt of such payments.	Under implementation The secretariat should now ensure their proper accounting in due time in the various trust funds.
Unliquidated obligations Ref.: Para. 8 (c)	UNFCCC regularly review unliquidated obligations to retain only those related to valid charges	With the strengthening of the Finance Unit, UNFCCC intends to increase its concentration on this issue in the future.	Under implementation Paragraphs 33-34 of present report show that no significant progress has been made.
Memorandum of understanding with UNOG Ref.: Para. 8 (d)	Memorandum of Understanding agreed between UNFCCC and UNOG should clearly set out the respective requirements of both parties to achieve prompt, cost efficient services.	Signed in December 2001 for 2000-2001.	Under implementation. The 2002-2003 agreement should be promptly signed.

Management			
Component/Area of concern	**Recommendation**	**As at *30 April 2002*** **Specific management action/comments**	**Comments of the Board**
(A)	(B)	(C)	(D)
Procurement Ref.: Para.33	To revise procurement procedure guidelines as a matter of priority with UNOG.	The Secretariat reported that its procedures and practices do not fully respect the United Nations procurement practice but steps are being taken to present those practices in the form of an Administrative guideline on Procurement for approval and promulgation by the Management Committee.	Under implementation The Board expresses its concern that no progress has been made on this matter since 1999, the guidelines are still in preparation.
Procurement Ref.: Para. 8 (e)	The secretariat should take action to discontinue involvement of authorizing officers in preparing requests for bids, a function which should be performed independently by the procurement staff.	UFCCC has taken steps to strengthen the Procurement and General Services Unit and to segregate the various procurement functions. But the proper segregation of procurement functions and responsibilities will be implemented when a procurement officer will be appointed. This was announced for the first quarter of 2002, but was not completed at that time.	Under implementation Considering the increase of administrative capacity, the Board expresses its concern on the low priority given to this matter.
Procurement Ref.: Para. 8 (f)+37	To prepare plans for anticipated purchases, in order to benefit from economies of scale through bulk purchasing.	Explanations provided, toward new steps	Under implementation The Board looks forward new steps.
Information Technology Strategy Ref.: Para. 42	That the secretariat establish an Information Technology Strategy to ensure that its future procurement of computer equipment is fully justified and undertaken in the most cost effective way.	Responsibility for inventory (hardware and software) was clarified and efforts made to update records on location and use of all equipment. The Information Technology Equipment Policy was amended to harmonize equipment specifications for staff and simplify allocation. Further, the Management Group agreed on the adoption of United Nations standards for software. For 2001, an Information Technology Purchase Plan was prepared and approved. It will be further elaborated into Information Technology strategy by the created Information Technology Task Force.	Under implementation Refers to paragraph 50 to 58 of present report

Management			
Component/Area of concern	**Recommendation**	**As at *30 April 2002*** **Specific management action/comments**	**Comments of the Board**
(A)	(B)	(C)	(D)
Procurement Ref.: Para. 43	The roster of vendors should include information concerning the performance of each supplier used.	The Secretariat reported that the implementation of this recommendation will be a part of the future automated management information system and that, at the moment, the staff of the Procurement and General Services Unit need to rely on hand written notes on performance placed on the procurement files, if applicable.	Under implementation
Consultants Ref.: Para. 8 (g)	To require justification for proposals to contract consultants on a single source basis; with terms of reference on the quantity and quality of outputs expected, target dates and performance indicators; and the qualifications of candidates	The Secretariat referred to a forthcoming Administrative guideline for short-term recruitment and indicated that the new policy should be in place by February 2002.	Under implementation
Administrative arrangements for UNFCCC Ref.: Para. 8 (h)	Until transfer of all functions is complete, UNFCCC and UNOG reach a clear understanding on responsibility for the accuracy and completeness of the secretariat's financial records and of the financial statements presented to the Conference of the Parties.	UNFCCC has recruited a Finance Officer, whose first important function will be to propose the system. The secretariat has also regularly informed the Parties of its considerations, decisions and developments regarding the selection of an appropriate management information system, which will be in place by July 2002.	Under implementation The Board notes welcomes the very recent improvements mentioned in this report, and will follow up.

G. AUDIT OPINION

We have audited the accompanying financial statements, comprising statements I to IV, and schedules 1.1 to 1.2 and the supporting notes of the United Nations Framework Convention on Climate Change (UNFCCC) for the financial period ended 31 December 2001. The financial statements are the responsibility of the Executive Secretary. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Secretary, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position as at 31 December 2001 and the results of operations and cash flows for the period then ended in accordance with United Nations Framework Convention on Climate Change stated accounting policies set out in note 2 of the financial statements which were applied on a consistent basis with that of the preceding financial period.

Further, in our opinion, the transactions of United Nations Framework Convention on Climate Change which we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and legislative authority.

In accordance with article XII of the Financial Regulations, we have also issued a long-form report on our audit of United Nations Framework Convention on Climate Change financial statements.

(signed)
Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(signed)
Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(signed)
François **Logerot**
First President of the Court of Accounts of France

27 June 2002

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UNITED NATIONS

UNFCCC Framework Convention on Climate Change

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Seventeenth session
New Delhi, 23–29 October 2002
Item 10 (b) of the provisional agenda

ADMINISTRATIVE AND FINANCIAL MATTERS

INTERIM FINANCIAL PERFORMANCE FOR THE BIENNIUM 2002–2003

Income and budget performance as at 30 June 2002

Note by the Executive Secretary*

Summary

This document reflects budget performance for the first quarter of the biennium 2002–2003 of the trust funds administered by the Convention secretariat. Its aim is to inform Parties of the income received, expenditures made and results achieved by 30 June 2002.

About half of the indicative contributions to the core budget for 2002 had been received and expenditures were maintained below 50 per cent of the approved budget for the year. However, voluntary contributions to the trust funds for participation and for supplementary activities (including the prompt start of the clean development mechanism) were relatively low. Less than 10 per cent of the total amount estimated for the biennium had been received by the end of June 2002.

The Subsidiary Body for Implementation is invited to take note of the information presented and decide on the actions it may deem necessary to be included in draft decisions on administrative and financial matters to be recommended for adoption by the Conference of the Parties at its eighth session.

* Submission of this document was delayed because internal consultations took more tome than had been anticipated.

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I. INTRODUCTION

A. Mandate

1. By its decision 38/CP.7,[1] the Conference of the Parties (COP) approved the programme budget for the biennium 2002–2003, and requested the Executive Secretary to report to the COP at its eighth session on income and budget performance and to propose any adjustments that might be needed in the Convention budget.

2. Rule 10 (e) of the draft rules of procedure being applied (FCCC/CP/1996/2) stipulates that the provisional agenda for each ordinary session of the Conference of the Parties shall include, as appropriate, the proposed budget as well as all questions pertaining to the accounts and financial arrangements.

3. It is the practice of the Subsidiary Body for Implementation (SBI) to consider these matters and prepare action for the Conference of the Parties as appropriate.

B. Scope of the note

4. This document responds to the requests noted above, as follows:

(a) Chapter II contains information on financial performance during the first six months of the biennium 2002–2003 (as at 30 June 2002) for all four of the trust funds administered by the secretariat, namely, the Trust Fund for the Core Budget of UNFCCC, the Trust Fund for Participation in the UNFCCC Process, the Trust Fund for Supplementary Activities and the Trust Fund for the Special Annual Contribution from the Government of Germany (Bonn Fund);

(b) Chapter III summarizes the main functions performed and the results achieved by each programme of the secretariat during the reporting period;

(c) Chapter IV provides information on human resources, including some statistics on approved posts and filled posts, and information on the hiring of consultants;

It should be read in conjunction with document FCCC/SBI/2002/INF.13 on the status of contributions as at 10 October 2002.

C. Possible action by the SBI and the COP

5. The SBI may wish to take note of the information presented and decide on actions it may deem necessary to be included in the draft decisions on administrative and financial matters to be recommended for adoption by the COP at its eighth session.

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[1] For the full text of decision 38/CP.7 adopted by the Conference of the Parties at its seventh session, see document FCCC/CP/2001/13/Add.4.

II. INCOME AND EXPENDITURE REPORT

A. Trust Fund for the Core Budget of UNFCCC

1. Budget

6. The Conference of the Parties at its seventh session approved a total budget of US$ 32.8 million for 2002–2003 (decision 38/CP.7), of which $16.0 million is for 2002 and $16.8 million for 2003. An additional contingency budget amounting to $5,661,800 (including administrative costs) for conference services was also approved for the biennium in the event that the United Nations General Assembly decides not to continue the use of the regular budget of the United Nations to cover conference servicing costs of UNFCCC.[2] Table 1 reflects the budget summary as approved by the COP.

Table 1. Budget for 2002–2003
(United States dollars)[a]

Budget	2002	2003	2002–2003
Programme budget			
Direct cost for programme activities	14 043 300	14 781 100	28 824 400
Programme support costs	1 825 600	1 921 600	3 747 200
Working capital reserve	196 300	69 200	265 500
Subtotal programme budget	**16 065 200**	**16 771 900**	**32 837 100**
Contingency			
Direct costs for conference servicing	2 313 900	2 355 200	4 669 100
Programme support costs	300 800	306 200	607 000
Contingencies	78 400	79 800	158 200
Working capital reserve	223 500	4 000	227 500
Subtotal conference services contingency	**2 916 600**	**2 745 200**	**5 661 800**
Total approved budget	**18 981 800**	**19 517 100**	**38 498 900**

[a] Includes programme support costs and working capital reserve.

2. Income

7. The approved budget and the additional expenditures are expected to be funded from three sources: (a) the indicative contributions by all Parties to the Convention; (b) unspent balances from previous financial periods; and (c) the annual contribution of the host Government. Table 2 shows a breakdown of the expected income.

[2] The General Assembly is expected to make a decision on this issue at the end of 2002.

Table 2. Income for 2002–2003
(United States dollars)[a]

Expected income	2002	2003	2002–2003
Contribution from the host Government[b]	657 900	657 900	1 315 800
Unspent balance of contributions from previous financial periods (carry-over)	2 000 000	3 000 000	5 000 000
Indicative contributions from all Parties (including contingency)	16 323 900	15 859 200	32 183 100
Total expected income	**18 981 800**	**19 517 100**	**38 498 900**

[a] Includes programme support costs and working capital reserve.
[b] Calculated at the rate of US$ 1 = DM 2.28, prevailing at the time of the budget preparation.

8. As at 30 June 2002, $11.7 million had been received as contributions to the core budget. This amount includes $2.7 million for prior years and $0.85 million for future years received in advance. The remaining amount of $8.15 million, which refers to 2002, is 50 per cent of the total indicative contributions for the year.

9. The number of Parties which have paid their indicative contributions to the core budget in full for this year stands at 77, or 41 per cent of the Parties to the Convention. Five out of the top 10 or 10 out of the top 20 contributions for 2002 had not been received by 30 June 2002.[3] Of the 186 Parties to the Convention, 109 had contributions outstanding for 2002 and of these, 68 Parties had contributions outstanding for prior years. Twenty-six Parties have never made contributions to the core budget since its inception in 1996 (see table 3).

Table 3. Outstanding contributions by year
(United States dollars)

Outstanding since	Number of years	Number of Parties	Outstanding amount
1996	7	26	29 253
1997	6	30	47 344
1998	5	37	41 838
1999	4	43	42 388
2000	3	49	71 880
2001	2	68	536 903
2002	1	109	7 876 822
Total			**8 646 428**

[3] Contributions by the top 10 contributors make up 76 per cent of the total indicative contributions and those of the top 20, 89 per cent.

(a) Expenditures by programme

10. Table 4 (a) provides a comparison of budget appropriation and expenditures by programme. Considering that this report covers financial performance for the first quarter of the biennium, the ideal expenditure as at 30 June 2002 should not exceed 50 per cent of the approved budget for 2002. So far, all of the programmes have contained their expenditure levels within the approved budget and available resources. The comparatively lower expenditures for the MIS and AS programmes are partly due to the fact that yearly contributions to the Intergovernmental Panel on Climate Change (IPCC) and the common premises management were still pending by 30 June.[4]

Table 4 (a). Expenditures by programme, as at 30 June 2002
(United States dollars)

Programme	Approved budget for 2002	Expenditures as at 30 June 2002	Expenditure as a percentage of budget
Executive Direction and Management (EDM)	1 665 817	553 093	33.2
Intergovernmental and Conference Affairs (ICA)	693 472	282 970	40.8
Conference Affairs Service (CAS)	1 066 421	514 165	48.2
Information Service (IS)	1 744 169	771 433	48.2
Administrative Services (AS)	1 541 620	456 931	29.6
Methods, Inventories and Science (MIS)	2 746 902	780 568	28.4
Sustainable Development (SD)	1 205 395	416 927	34.6
Cooperative Mechanisms (COOP)	858 203	280 080	32.6
Implementation (IMP)	2 521 253	1 087 797	43.2
Total direct expenditures [a]	**14 043 252**	**5 143 964**	**36.6**

[a] The total amount is different from that shown in table 1 as this table does not include the conference services contingency, the programme support costs and the working capital reserve.

(b) Expenditures by object of expenditure

11. Table 4 (b) indicates expenditures by object of expenditure, grouped into six items. Staff costs include salaries of staff members appointed on approved posts, salaries of short-term staff, temporary assistance and overtime. Other external expertise, both individual and institutional, is included under "consultants". Travel of staff on official missions is shown separately from that of experts to workshops and informal consultations. General operating expenses include payments to suppliers of various goods

[4] The annual contribution of $350,000 to IPCC is budgeted under MIS and the estimated budget of $500,000 for the administration of common premises is reflected under the secretariat-wide costs monitored by AS.

and services, while "grants and contributions" constitute payments to United Nations organizations and governmental institutions that provide logistic and administrative services to the secretariat at the headquarters in Bonn and during workshops at various locations outside Germany, as well as the annual contribution to the IPCC.

12. With the exception of expenditure on consultants, all expenditures are below the approved budget and within the ideal maximum expenditure of 50 per cent. Over-expenditure on consultants is covered from the unspent resources initially budgeted to cover staff costs. On the other hand, no expenditures were recorded under grants and contributions as contributions to IPCC and the common premises management were not yet transferred by 30 June (see footnote 4).

Table 4 (b). Expenditures by object of expenditure, as at 30 June 2002
(United States dollars)

Object of expenditure	Budgeted amount for 2002	Expenditures as at 30 June 2002	Expenditure as a percentage of budget	Percentage of expenditures by object
Staff costs	9 730 341	3 634 349	37.4	70.7
Consultants	706 000	454 889	64.4	8.8
Experts	626 880	103 904	16.6	2.0
Travel of staff	817 191	312 909	38.3	6.1
General operating expenses	1 312 840	637 913	48.6	12.4
Grants and contributions	850 000	0	0	0
Total direct expenditures	**14 043 252**	**5 143 964**	**36.6**	**100.0**

B. Trust Fund for Participation in the UNFCCC Process

13. Table 5 provides detailed information on income and expenditures under the Trust Fund for Participation in the UNFCCC Process. As at 30 June 2002, contributions received for this biennium amounted to $683,347, and expenditures amounted to $568,127. The excess of income over expenditures, including carry-over balance from the previous financial periods and accrued interest, amounted to $757,137. After blocking the required amount (10 per cent of actual expenditures in 2002) for working capital reserve, this amount, together with any new contributions, will be used to cover participation of eligible Parties at COP 8.

14. The secretariat continues to apply its current policy of providing financial support to eligible Parties. Parties are eligible for funding if their per capita gross domestic product ceiling did not exceed $6,500 in 1998 according to the Data Management Service of the United Nations Conference on Trade and Development. This ceiling is raised to $10,000 in the case of small island developing States or if the Party provides an officer to serve as a member of the Bureau. Parties which are not least developed countries or small island developing States and which would normally be eligible for financial support to participate in the meetings of the Conference of the Parties and its subsidiary bodies, but which have not paid their contributions for the current year and the preceding year, will not be considered for funding from the Trust Fund for Participation to participate in the seventeenth sessions of the subsidiary bodies and the eighth session of the COP.

15. So far in 2002, 120 participants have been provided with financial assistance at a total cost of $487,619. At least one representative from each eligible Party was offered financial support to attend the subsidiary body sessions in June 2002.

Table 5. Status of the Trust Fund for Participation in the UNFCCC Process, as at 30 June 2002
(United States dollars)

Income	
Brought forward from 2000–2001	630 239
Contributions received in 2002	683 347
Interest and miscellaneous income	11 678
Total income	**1 325 264**
Expenditures	
Travel of Bureau members	15 148
Travel of 120 participants to subsidiary body sessions, Bonn, June 2002	487 619
Total direct expenditures	**502 767**
Programme support costs	65 360
Total expenditures	**568 127**
Balance	**757 137**

C. Trust Fund for Supplementary Activities

16. The secretariat continues to undertake additional fund-raising activities for supplementary activities, especially for workshops and events mandated by the COP. New contributions of approximately $1 million were received during the first six months of 2002, bringing the total amount available under this trust fund to $5.5 million. However, the fact that most of the contributions are earmarked for specific activities and workshops makes it difficult to plan events in response to the requests made by the COP and its subsidiary bodies.

17. During the reporting period, 17 projects were approved for funding at a total cost of $3.1 million. The balance of $2.4 million includes a working capital reserve of 15 per cent of average annual expenditures and funds that have been received, but are awaiting decision, in consultation with the donor Parties, to identify activities for which they should be used. Table 6 (a) provides information on income and estimated expenditures under the Trust Fund for Supplementary Activities.

Table 6 (a). Status of the Trust Fund for Supplementary Activities, as at 30 June 2002
(United States dollars)

Income	
Brought forward from 2000–2001	4 426 171
Contributions received in 2002	998 430
Interest and miscellaneous income	101 435
Total income	**5 526 036**
Commitments	
Approved projects[a]	2 738 491
Programme support costs	356 003
Total commitments	**3 094 494**
Balance	**2 431 542**

[a] See table 6(b) for summaries of approved projects.

18. Table 6 (b) lists the projects and events funded from the Trust Fund for Supplementary Activities in 2002. Most of the projects are related to those activities indicated in the document on supplementary activities (FCCC/SBI/2001/17/Add.2) which was noted by the COP at its seventh session (decision 38/CP.7).

Table 6 (b). Projects and events funded from the Trust Fund for Supplementary Activities in 2002
(United States dollars)

Project	Approved commitment
Knowledge networking. Under this project the secretariat organizes, stores and retrieves data on people, organizations and projects and makes the data available to the Parties and observer organizations on the secretariat's web site. The objective is to enhance participation in the Convention process through effective knowledge networking.	110 831
Communicating the climate change process. This project is established to continue and enhance efforts to disseminate official information; to act as a catalyst to increase awareness of the climate change issues and process; and to further develop the UNFCCC web site.	111 825
Initial implementation and strengthening of the outreach subprogramme. This project started on 1 March 2000 to supplement the limited resources approved under the core budget in 2000–2001 for outreach activities. The project closed in February 2002. The amount committed in 2002 covered the first two months' salary of the programme officer, pending transfer from the project post to a newly established core post.	12 000

Project	Approved commitment
Additional support for the development of the greenhouse gas (GHG) emissions database and software for the GHG inventory reporting and review process. Under this project, the database on GHG and related software will be further developed and enhanced taking into account experience gained by Parties and the secretariat in the course of the two-year trial period since 1999. The approved budget for this project is mainly used to maintain the post of a systems analyst at the P-3 level.	136 841
Development of methodological activities relating to land use, land-use change and forestry (LULUCF) and further development of the GHG emissions databases of inventories from Annex I and non-Annex I Parties. The main objectives of this project are to analyse available LULUCF data as reported in national GHG inventories by Parties, to integrate the results of the *IPCC Report on Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories* and to promote coherence in the work on LULUCF between UNFCCC and other United Nations bodies. Two Professional and one General Service level posts have been established under this project.	442 478
Support for workshops on methodologies for adjustments under Article 5.2 of the Kyoto Protocol. This project responds to the request of the Subsidiary Body on Scientific and Technological Advice (SBSTA) to organize a second workshop on methodologies in order to assess the results of the case studies and to refine the draft technical guidelines. The workshop took place in Athens, Greece, 2–5 April 2002.	53 098
Workshop on the IPCC Third Assessment Report (TAR). The workshop took place in Bonn from 4 to 6 April 2002, and the report of the workshop was submitted to SBSTA 16. Most of the budgeted amount was spent in support of travel and daily subsistence allowance (DSA) for 29 participants.	103 250
Definitions and modalities for including afforestation and reforestation activities under Article 12. The objective of this project is to develop a draft decision on definitions and modalities for including afforestation and reforestation project activities in the first commitment period. To this end, a workshop was held in Ovierto, Italy, from 7 to 9 April 2002; 17 of the participants received financial assistance.	110 718
Meetings of the Least Developed Countries Expert Group (LEG). This project responds to COP 7 decisions relating to least developed country Parties. Its main aim is to support the work of the LEG, with the objective of advising on the preparation and implementation strategy of the national adaptation programmes of action. So far, two meetings of the LEG have been held, one in Arusha, United Republic of Tanzania, from 26 to 28 February 2002, and the second in Bonn, from 18 to 22 June 2002.	293 269
Support for secretariat activities on Article 6 of the Convention. The objective of this project is to respond to the request by the SBSTA to develop cost-effective dissemination of lessons learned, best practices and other information products. The project has enabled the secretariat to initiate actions on Article 6 of the Convention. A workshop organized in Bonn from 2 to 3 June 2002 provided Parties with an opportunity to share their experience and to discuss the prioritization of elements of an SBSTA work programme.	133 317

Project	Approved commitment
Support to Parties to enhance the implementation of Article 4.5 of the Convention. This project aims at producing reports on technology transfer and technology needs assessment as well as developing a work plan for the Expert Group on Technology Transfer for consideration by the SBSTA. Two workshops have been organized: one in Beijing, China, from 18 to 19 April 2002, and the other in Seoul, Republic of Korea, from 22 to 25 April 2002.	164 011
Clean development mechanism (CDM). The aim of this project is to facilitate the prompt start of the CDM in 2002–2003 by complementing resources provided under the core budget, with the expectation that the CDM will become self-financing once an adequate flow of resources from the share of proceeds from certified emission reductions is assured. A P-2 Programme Officer and a G-4 secretarial post are funded under this project.	339 112
International workshop on cleaner or less greenhouse gas-emitting energy. At its fifteenth session, the SBSTA requested the secretariat to organize a workshop on the subject of cleaner or less greenhouse gas-emitting energy. The workshop was held in Whistler, Canada, from 7 to 8 May 2002. Funds were provided for travel and DSA for three experts and 35 participants and for a G-3 post for three months.	158 673
Work programme on technical standards fo. registries and the transaction log. This project is intended to provide a forum for exchanging information between Parties, and with the secretariat, in relation to the development and establishment of national registries, the CDM registry and the transaction log.	25 238
In-depth reviews of third national communications from Annex I Parties. This project had to be established in order to complete the in-depth review of national communications from Annex I Parties and to prepare the compilation and synthesis of national communications. To this end, one post at the P-3 level and one secretarial post were established under the project.	253 473
Workshops of the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention (CGE) and workshop on the revision of the guidelines for the preparation of national communications from Parties not included in Annex I to the Convention. The aim of this project is to organize interregional workshops of the CGE, and one intersessional workshop on the revision of guidelines for the preparation of national communications in response to decision 31/CP.7. One workshop of the CGE and the workshop on revision of guidelines were held in Bonn on 10–12 April 2002 and 15–17 April 2002, respectively.	257 607
Further multilateral work relating to issues under Article 4.8 and 4.9 of the Convention. This project enabled the secretariat to organize a workshop on modelling activities to assess the adverse effects of climate change and the impact of response measures already implemented on individual developing country Parties.	32 750

D. Trust Fund for the Special Annual Contribution from the Government of Germany (Bonn Fund)

19. As part of its offer to host the secretariat in Bonn, the Government of Germany pledged a special annual contribution (the Bonn Fund) of DM 3.5 million (equivalent to 1,789,522 Euro). Table 7 provides information on income and expenditures under the Bonn Fund as at 30 June 2002.

Table 7. Status of the Bonn Fund, as at 30 June 2002
(United States dollars)

Item	Amount
Income	
Brought forward from 2000–2001	675 496
Contributions[a]	1 622 969
Interest and miscellaneous income	17 442
Total income	**2 315 907**
Expenditures	
Conference support	
Conference facilities	682 447
Staff	143 107
Subtotal: Conference support	**825 554**
Information support	
Computers and networking	159 919
Staff	19 848
Subtotal: Information support	**179 767**
Travel for participation in workshops	**33 747**
Programme support costs	**135 079**
Total expenditures	**1 174 147**
Balance[b]	**1 141 760**

[a] Equivalent to DM 3.5 million.

[b] The balance is made up of three components: (a) 15 per cent working capital reserve, (b) unspent balance refundable to the Government, and (c) commitments to expenditures until the end of 2002.

III. PROGRAMME DELIVERY

20. This section highlights the main outputs achieved by each programme during the reporting period.

A. Executive Direction and Management

21. The outputs of the Executive Direction and Management programme (EDM) have been consistent with those described in the programme budget for the biennium 2002–2003 (see FCCC/SBI/2001/17/Add.1). In this period, there was a change of Executive Secretary. The Executive Secretary and/or the Officer-in-Charge provided ongoing management and coordination of the activities of the secretariat, as well as advice to the Convention bodies and their officers.

22. In external relations, the programme continued to promote coordination with partner organizations, in addition to representing the UNFCCC secretariat in outreach activities. It continued to communicate the views of the Convention bodies and the secretariat, as appropriate, to partner agencies, conferences and other events. As part of institutional outreach to coordinating bodies within the United Nations system, input was provided to the General Assembly, the United Nations Commission on Sustainable Development and the United Nations Environment Programme (UNEP), including to processes dealing with international environmental governance and the preparations for the World Summit on Sustainable Development.

B. Intergovernmental and Conference Affairs

23. The Intergovernmental and Conference Affairs programme (ICA) consists of two subprogrammes: Management and Coordination, and Intergovernmental and Legal Affairs. The Coordinator of ICA also oversees the work of Conference Affairs Services (CAS), one of the secretariat's three support services.

24. As part of its ongoing activities, the Management and Coordination subprogramme carried out the following activities: managing the resources and activities of the ICA programme and CAS; providing support to the Bureau of the COP; planning sessional activities by organizing and chairing regular meetings of the Intergovernmental Planning Committee; liaising with Parties on policies, problems and issues for discussion; and ensuring the adequate and timely provision of conference services for sessions of Convention bodies by coordinating the work of CAS.

25. Specific outputs in the reporting period included: the organization of, and support to, Bureau meetings held in January and June 2002; completion of the COP 7 report; the organization of the sixteenth sessions of the subsidiary bodies, held from 5 to 14 June 2002, including pre-sessional workshops; launch of a project to review the format of UNFCCC documents with a view to enhancing readability and user-friendliness; and liaising with representatives of the Government of India to coordinate arrangements for COP 8, to be held from 23 October to 1 November in New Delhi, including the coordination of three preparatory missions to New Delhi.

26. As part of its ongoing activities, the Intergovernmental and Legal Affairs subprogramme provided legal advice to the secretariat, Parties, and the President and Bureau of the COP on various procedural, institutional and legal aspects.

27. Specific outputs of the subprogramme in the reporting period included: preparation of documents for consideration by the sixteenth sessions of the subsidiary bodies; support to the Bureau meetings held in January 2002 and during the sixteenth sessions of the subsidiary bodies; preparation of a host country agreement to be concluded with the Government of India for COP 8; liaising with representatives of the Government of India on procedural and legal matters; and launch of a project on procedural and

institutional aspects of the effective participation of observers in the Convention process and arrangements connected with the entry into force of the Kyoto Protocol, especially relating to possible arrangements for the first session of the Conference of the Parties acting as the meeting of the Parties to the Kyoto Protocol.

C. Conference Affairs Services

28. Conference Affairs Services (CAS) provided the logistical preparation of, and support to, sessions of Convention bodies and workshops held in Bonn, external relations with Parties and observers, the management of participation in sessions, security coordination, and the editing and processing of all official UNFCCC documents.

29. Specific outputs in the reporting period included: provision of conference services for the sixteenth sessions of the subsidiary bodies and for all workshops held in Bonn (a total of 15 in the period January–June 2002), including the preparation and set-up of meeting venues, security and protocol arrangements, coordination of the financial assistance for participants from eligible Parties, registration and accreditation of participants, and the provision of documents; pre-registration and external relations support to workshops held away from Bonn; negotiation of the host country agreement and logistical preparations for COP 8, including participation in three technical missions to New Delhi.

D. Information Services

30. Information Services (IS) ensured proper use of information technology, knowledge management and communications and provided support to participants at meetings and to the secretariat.

31. Computer services were provided for the workshops held in Bonn, and computer network support services were provided for the secretariat and the sixteenth sessions of the subsidiary bodies, ensuring access to files, documents and information systems. Computer services and connections were maintained in the two secretariat locations. An information technology purchase plan was prepared and a secretariat-wide Information Communication Technology strategy is under development. A staff development training programme for all standard software is in place and is coordinated with the staff training programme.

32. The UNFCCC data portal, providing for the management of data on people, organizations, projects and countries, was maintained and expanded. Information Services provided systems development and support for the design of the information system for the clean development mechanism as well as for accessing the United Nations Integrated Management Information System in Geneva. The library continued to service the secretariat staff and the public by responding to queries, disseminating information on climate change and distributing official documents and public information materials. The library maintained the ADLIB digital library database and managed the official documents on the web site. A collaborative effort with UNEP-GRID Arendal to develop GHG country profiles prototypes was initiated.

33. The secretariat's web site: www.unfccc.int went through an extensive evaluation. It was reorganized to reflect the current structure of the secretariat, and is regularly monitored and updated. Webcast services were provided for the clean development mechanism Executive Board meeting, and for selected statements and presentations at the sixteenth sessions of the subsidiary bodies. Support was provided for press accreditation at those sessions and responses were made to media requests for information on the climate change process.

34. Public information materials were revised and updated. Information Services participated in technical preparatory missions to India in preparation for COP 8, and preparations were made for participation in the joint exhibit by the "Rio conventions" (the Convention on Biological Diversity (CBD), the United Nations Convention to Combat Desertification (UNCCD) and UNFCCC) at the World Summit on Sustainable Development.

E. Administrative Services

35. The Administrative Services programme (AS) consists of four units: Human Resources Management Unit, Budget Unit, Finance Unit, and Procurement and General Services Unit. The main responsibility of this programme is to support the Convention secretariat in the management of its financial resources, in personnel services, and in procurement and travel services, and to liaise with the United Nations on administrative matters.

36. During the reporting period, the programme continued the gradual implementation of the various modules of the Integrated Management Information System. Release IV, which processes payroll, was implemented effective June 2002, following earlier implementation of releases I and II on human resources management. Currently, preparations and groundwork are being undertaken for the implementation of release III, which includes budget management, accounts, procurement and travel.

37. In the area of staff development, the programme coordinated a wide range of training activities to meet the diverse needs of the organization and to ensure a high level of performance. In addition to the standard training in the United Nations languages and computer skills, the secretariat organized training on supervisory skills, general services development, stress management and presentation skills.

38. The programme continued its discussions with the Host Government with regard to the establishment of a United Nations campus to accommodate all United Nations organizations located in Bonn. As an interim solution to accommodate staff newly recruited in accordance with the 2002–2003 programme budget, additional office space was negotiated with the Government in the Otto Benecke Stiftung building, where part of the secretariat is already located. Regular meetings were held with representatives of the Host Government to ensure that staff members' rights and privileges in accordance with the Headquarters Agreement are fully implemented.

F. Methods, Inventories and Science

39. The Methods, Inventories and Science programme (MIS) consists of three subprogrammes: Coordination and Management, Methods and Inventories. The programme coordinates the work of the Subsidiary Body for Scientific and Technological Advice (SBSTA). During the reporting period, the programme concentrated on facilitating consideration of the IPCC Third Assessment Report by the SBSTA; on the development of guidelines for reporting and reviewing GHG inventories of Annex I Parties; on the development of definitions and modalities for including afforestation and reforestation activities under Article 12 of the Kyoto Protocol and in other activities related to land use, land-use change and forestry; on the completion of the work on guidelines under Articles 5, 7 and 8 of the Kyoto Protocol; on the consideration of the relationship between efforts to protect the stratospheric ozone layer and efforts to safeguard the global climate system; on issues relating to hydrofluorocarbons and perfluorocarbons; and on cooperation with relevant international organizations.

40. The programme worked on the implementation of decision 6/CP.5 on the technical review of GHG inventories from Annex I Parties and on the assessment of the experience with the implementation of decision 3/CP.5 on reporting of these inventories, in particular the assessment of the experience gained during the trial period established to test and refine these guidelines. The programme continued its work on collecting and disseminating information on the methods and tools to assess climate change impacts and adaptation. The programme coordinated its activities with relevant international organizations, such as the IPCC, the secretariat of the Global Climate Observing System, the Food and Agriculture Organization of the United Nations, the Convention on Biological Diversity and the United Nations Convention to Combat Desertification.

41. The programme facilitated the work of the Parties through the preparation of documents for the sixteenth session of the SBSTA and review reports of GHG inventories published on the web site of the secretariat. It also organized workshops on the IPCC Third Assessment Report, on definitions and modalities for including afforestation and reforestation activities under Article 12, and on methodologies

for adjustments under Article 5, paragraph 2, of the Kyoto Protocol. The programme continued the development of the new database on GHG emissions and initiated the further improvement of this database and the development of other software tools to be used by Annex I Parties for reporting GHG information in accordance with the UNFCCC reporting guidelines.

G. Sustainable Development

42. The Sustainable Development (SD) programme consists of two subprogrammes: Coordination and Management, and Technology. During the reporting period, the programme provided support to the subsidiary bodies on matters related to technology transfer, adaptation to the adverse effects of climate change and support for least developed countries, and on activities under Article 6 (education, training and public awareness) of the Convention. Fund-raising activities were undertaken to continue to support work on adaptation and least developed countries, as well as new activities related to Article 6 of the Convention.

43. The Adaptation Strategies Unit organized two meetings of the Least Developed Countries Expert Group, which is entrusted with supporting the preparation, by least developed countries Parties, of national adaptation programmes of action. Other activities included intersessional events on adaptation-related issues, such as a workshop on modelling activities held in coordination with the Implementation programme. Links were made with UNEP, the United Nations Development Programme, the United Nations Institute for Training and Research, UNCCD, CBD, the Global Environment Facility (GEF) and the World Bank, in order to ensure consistent and synergistic implementation of COP mandates, as well as with private-sector entities (including insurance and reinsurance companies) in preparation for holding two workshops on insurance, pursuant to decision 5/CP.7.

44. The Technology subprogramme continued to support Parties in assessing their needs for environmentally sound technology and capacity-building, and integrating development and transfer of climate-friendly technology in their sustainable development priorities and programmes. The subprogramme further supported the needs of Parties to access information on environmentally sound technologies. The technology information system and the inventory of technology cooperation projects based on information submitted in national communications were enhanced and updated.

45. The Technology subprogramme also provided support for the implementation of the framework for meaningful and effective actions to enhance the implementation of Article 4.5 of the Convention, and conducted an expert workshop on technology information to discuss options for establishing a technology information clearing house and an expert meeting on technology needs assessments to identify and assess methodologies used to undertake technology needs assessments. It also provided support to the newly established Expert Group on Technology Transfer, including by organizing the preparatory meeting and the first meeting of the group.

46. In relation to Article 6 activities, a workshop was organized to develop a possible SBSTA work programme. Efforts were made to seek the cooperation of other organizations.

H. Cooperative Mechanisms

47. The Cooperative Mechanisms programme (COOP) supported the work of Parties in the implementation of decisions 5/CP.1 and 8/CP.7 on activities implemented jointly (AIJ) under the pilot phase, and of decisions 15–19/CP.7 related to mechanisms under the Kyoto Protocol as contained in the Marrakesh Accords. COOP facilitated the work of Parties on AIJ under the pilot phase by organizing

synthesis report to be forwarded to the subsidiary bodies at their seventeenth sessions and the COP at its eighth session.

48. Implementation of decisions 15–19/CP.7 related to mechanisms under the Kyoto Protocol and the agreement by COP 7 to facilitate a prompt start of the CDM pursuant to Article 12 of the Kyoto Protocol, was supported as follows:

(a) The programme serviced the Executive Board of the CDM by assisting it, both substantively and logistically, in undertaking the work programme specified in decision 17/CP.7. This included support to the Board in the preparation and convening of its meetings, and assistance in the establishment and the servicing of three panels;

(b) CDM-related activities were supported by organizing each of the meetings of the Executive Board and of the panel; drafting rules of procedure for the Executive Board and terms of reference of three panels and of assessment teams supporting the CDM accreditation panel; and drafting recommendations for simplified modalities and procedures for small-scale CDM project activities and other relevant documentation. A CDM module was elaborated and added to the UNFCCC web site (www.unfccc.int/cdm). Four listservs and three extranet facilities are maintained.

49. In cooperation with the MIS programme, COOP assisted Parties in the implementation of activities related to definitions and modalities for including afforestation and reforestation activities under Article 12 of the Kyoto Protocol in the first commitment period, as mandated by decision 17/CP.7, paragraph 10 (b).

50. The work on Article 6 (joint implementation) of the Kyoto Protocol was mainly devoted to capacity-building support, as well as to the implementation of decision 18/CP.7 on emissions trading, notably through the establishment of registries and the transaction log. These activities encompassed the preparation and revision of a paper on technical standards for registries, the organization of pre-sessional consultations, and the facilitation of consultations on registries.

51. Following a request by the SBSTA at its fifteenth session, COOP organized a workshop to facilitate the exchange of information and views on cleaner or less greenhouse gas-emitting energy, and supported consultations during SBSTA 16 on this issue.

I. Implementation

52. The Implementation programme (IMP) consists of three subprogrammes: Coordination and Management, Annex I Implementation, and Non-Annex I Implementation; and one unit, the Capacity-building/GEF Unit, which comes under the Coordination and Management subprogramme. The programme provides overall coordination of work at sessions of the SBI.

53. The Annex I Implementation subprogramme initiated the in-depth reviews of the third national communications of Annex I Parties, pursuant to decision 33/CP.7. Five reviews were completed during this reporting period, and work on the preparation of at least nine other reviews to be conducted by the end of the year was initiated. One report was published and the remaining reports from the reviews already completed were at various stages of preparation. The work on "good practices" in policies and measures continued to be guided by decision 13/CP.7 and the relevant conclusions of the subsidiary bodies. This included preparation of the relevant documents for SBSTA 16 and SBSTA 17 and the ongoing work on compilation of information on policies and measures from the third national communications of Annex I Parties. The subprogramme also collaborated with the MIS programme on

provided to the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention (CGE), including coordination and organization of one interregional workshop and one meeting of the CGE. Additional support was provided to non-Annex I Parties in identifying and addressing their technical needs and concerns by compiling and synthesizing technical information contained in their national communications. The subprogramme assisted in the review of the GEF enabling activity projects aimed at the preparation of initial and second national communications as well as the enabling activities phase II. It supported the negotiations relating to the revision of the guidelines for the preparation of national communications.

55. In collaboration with the Sustainable Development programme, work was conducted on the implementation of decision 5/CP.7 on response measures. A workshop was conducted on modelling activities to assess the adverse effects of climate change and the impact of response measures already implemented on individual developing country Parties. The programme also supported and facilitated negotiations on the implementation of Article 4.8 and 4.9 of the Convention, as well as Article 3.14 of the Kyoto Protocol, including the preparation of a report to form the basis of discussions on the implementation of Article 4.8 and 4.9 at COP 8. The programme initiated work in support of negotiations on the implementation of Article 2.3 of the Kyoto Protocol at the sixteenth sessions of the subsidiary bodies.

IV. HUMAN RESOURCES

A. Staff

56. The COP at its seventh session approved the establishment of 25 new Professional (P) and 10 new General Service (GS) posts under the core budget, bringing the total number of approved posts to 69 Professional and 38.5 General Service in 2002. In addition, 58 posts are funded from the Supplementary Fund, the Bonn Fund and the programme support costs (overheads). A comparison of the number of approved posts with the number filled by 30 June 2002 is given in table 8. "Filled" posts in the table refer to posts occupied by staff who have been awarded a fixed-term contract of one year or more, and are appointed against established posts after going through the complete recruitment process including review by the UNFCCC Appointment and Promotion Board.

57. In addition to the posts shown in table 8, 10 Professionals and 14 persons in the General Service category had been hired under temporary assistance contracts as at 30 June.

58. Some of the funds available for posts currently vacant are being used to finance the hiring of consultants or staff under "general temporary assistance", who are recruited to perform specialized functions required for a short period or because of the urgency of services required.

Table 8. Comparison of established posts and filled posts by source of funding, as at 30 June 2002

Level	Core		Supplementary		Bonn Fund		Overhead		Total	
	Approved	Filled	Approved	Filled	Approved	Filled	Approved	Filled	Approved	Filled
ASG	1	1							1	1
D-2	3	3							3	3
D-1	6	4					1	1	7	5
P-5	8	8					1	1	9	9[a]
P-4	17	9	1	0			4	2	22	11
P-3	25	20	2	1	1	0	6	1	34	22[a]
P-2	9	8	2	1	2	1	2	1	15	11
Subtotal	69	53	5	2	3	1	14	6	91	62
GS	38.5	28	3	3	6	5	27	25	74.5	61
TOTAL	**107.5**	**81**	**8**	**5**	**9**	**6**	**41**	**31**	**165.5**	**123**

[a] One post filled by a staff at one level lower pending effective date for promotion.

59. Information on the geographical distribution of the staff appointed at the Professional level and above is provided in table 9 (a) and (b). Efforts are made to ensure the highest standards of efficiency, competence and integrity in the staffing of the secretariat, while paying due regard to the importance of recruiting staff on as wide a geographical basis as possible, in accordance with Article 101.3 of the United Nations Charter, as well as promoting gender balance.

60. The gender distribution among Professional staff is provided in table 9 (c). Of 62 professional staff, 36 are men and 26 are women. Among General Service staff, 47 out of 61 are women.

Table 9 (a). Geographical distribution of appointed staff members at the Professional level and above, as at 30 June 2002

Grade	Africa	Asia and the Pacific	Latin America and the Caribbean	Eastern Europe	Western Europe and others	Total
ASG					1	1
D-2	1				2	3
D-1		1		1	3	5
P-5	2	2	2	1	1	8
P-4	3	2	2	2	3	12
P-3	1	6	5	1	8	21
P-2		4	1		7	12
Total	**7**	**15**	**10**	**5**	**25**	**62**
Percentage of total	**11**	**24**	**16**	**8**	**41**	**100**

Table 9 (b). Geographical distribution of appointed staff members at the Professional level and above, as at 30 June 2002: Annex I and non-Annex I Parties distribution

Grade	Annex I	Non-Annex I
ASG	1	
D-2	2	1
D-1	4	1
P-5	3	5
P-4	5	7
P-3	12	9
P-2	7	5
Total	**34**	**28**
Percentage of total	**55**	**45**

Table 9 (c). Gender distribution by grade of appointed staff members at the Professional level and above, as at 30 June 2002

Grade	Male	Female
ASG		1
D-2	2	1
D-1	3	2
P-5	5	3
P-4	8	4
P-3	11	10
P-2	7	5
Total	**36**	**26**
Percentage of total	**58**	**42**

B. Consultants and individual contractors

61. Between 1 January and 30 June 2002, a total of 55 individual consultants were hired, and provided a combined total of 121.75 months of work at a total cost of $496,769 under all sources of funding. Seventy-four per cent of the consultants and individual contractors were nationals of Annex I countries. As indicated in the earlier report on the subject, as at 30 June 2000 (FCCC/SBI/2000/8, para. 50), the nature of these tasks and, in some cases, the linguistic requirements, direct the search for such services to the region in which the secretariat is located, thus skewing the geographical distribution of consultants towards those resident in Annex I Parties.

62. Other consultancies provided other types of expertise not available within the secretariat. Although such expertise is more easily found in Annex I Parties, efforts continue to diversify sources so as to increase the input of experts from developing countries.

63. Table 10 provides information on how such services were distributed among the various programmes.

Table 10. Services of consultants and individual contractors, by programme, 1 January 2002 to 30 June 2002

Programme	Person-months	Cost (US$)
Executive Direction and Management	0	0
Intergovernmental and Conference Affairs	5.5	33 498
Conference Affairs Services	34.5	98 511
Information Services	2.5	34 478
Administrative Services	15.75	56 482
Methods, Inventories and Science	36.25	98 813
Sustainable Development	5	17 170
Cooperative Mechanisms	0.50	29 036
Implementation	21.75	128 781
Total	**121.75**	**496 769**

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